front cover

Nation Media Group
Media of Africa for Africa

THERE WHEN EAST AFRICA COMMUNITY WAS FORMED

THERE WHEN KENYA GAINED SELF RULE

THERE WHEN KENYA'S BELOVED FOUNDING FATHER DIED

THERE AS FORD DEMANDED FOR MULTI-PARTY POLITICS AND A STOP TO HUMAN RIGHTS ABUSES

THERE AS AFRICA'S FIRST WOMAN WON THE NOBEL PEACE PRIZE

THERE WHEN KENYANS DID NOT LET DIVIDED OPINION GET IN THE WAY OF ADOPTING A NEW CONSTITUTION

THERE WHATEVER THE FUTURE HOLDS

SINCE 1959

Nation Media Group

Media of Africa for Africa

Nation Media Group is the leading media company with businesses in television networks, print, digital and radio. NMG uses its industry-leading operating scale and brands to create, package and deliver high-quality content on a multi-platform basis. As the largest independent media house in East and Central Africa, we attract and serve unparalleled audiences in Kenya, Uganda, Tanzania, and Rwanda. We are committed to generating and creating content that will inform, educate and entertain our consumers across the different platforms, keeping in mind the changing needs and trends in the industry. In our journey, nothing matters more than the integrity, transparency, and balance in journalism that we have publicly committed ourselves to. NMG journalism seeks to positively transform the society it serves, by influencing social, economic and political progress.

Nation Centre, Kimathi Street

P.O. Box 49010-00100, GPO Nairobi, Kenya

Telephone: +254 20 328 8000

www.nationmedia.com

Browse, download or print our annual report at
http://download.nation.news/2018AnnualReport.pdf

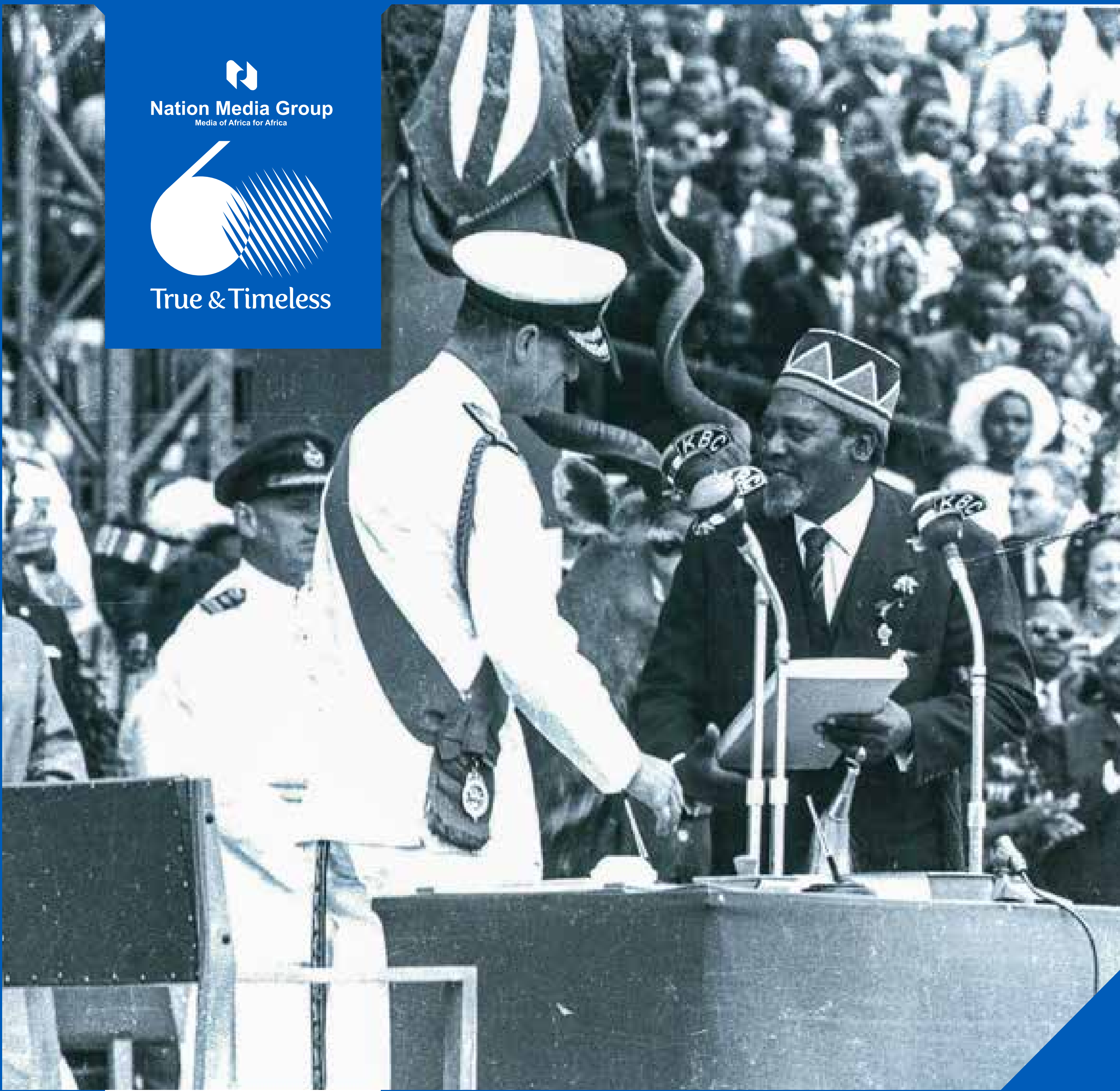
View our 2018 results presentation at
http://host.nationmedia.com/2018Results-InvestorBriefingPresentation.pdf

Company Information

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

Nation Media Group
Media of Africa for Africa

True & Timeless



THERE WHEN KENYA GAINED SELF RULE

DEC. 12, 1964

THERE WHATEVER THE FUTURE HOLDS

That Friday night, the lone voice of Mzee Kenyatta crackled on radio across the colony. "We must gear ourselves to a fundamental belief in individual human rights as a basis of respect...beyond what a man is or what he does." At midnight, the Union Jack went down, the Kenyan flag went up. Celebrations lasted days. And for 30 cents, history was framed in that great day's copy of the *Daily Nation*.

Nation Media Group
Media of Africa for Africa

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Nation Centre
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www.nationmedia.com

True & Timeless


It takes a village to raise a nation
Daily Monitor
budget for
team leaks
Patients exposed to infections in labs – report
True and timeless

Nation Media Group
Media of Africa for Africa
True & Timeless

Notice of Annual General Meeting

Notice is hereby given that the Fifty-Sixth Annual General Meeting of the Shareholders of Nation Media Group PLC will be held in the Amphitheatre at the Kenyatta International Convention Centre, Nairobi on Friday 28 June 2019 at 2.00 p.m. for the following purposes:

Ordinary Business

1 To receive the financial statements for the year ended 31st December 2018, and the chairman's, directors' and auditors' reports thereon.

2 To confirm the payment of the interim dividend of Shs 1.50 per share (60%) and to approve the payment of the final dividend of Shs 3.50 per share (140%) on the ordinary share capital in respect of the year ended 31 December 2018.

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

4 To elect and re-elect the following directors:

a) In accordance with Article 96 of the Company's Articles of Association, Mr. R.Tobiko is a director appointed on 1 March 2019, who retires and being eligible offers himself for election.

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

c) In accordance with the provisions of section 769(1) of the Companies Act 2015, the following directors being members of the Audit, Risk and Compliance Committee be elected to continue to serve as members of the said Committee:
(i) Mr. Dennis Aluanga
(ii) Mr. Anwar Poonawala
(iii) Dr. Simon Kagugube
(iv) Mr. Leonard Mususa

5 To authorise the directors 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."

By order of the Board

J C Kinyua
Secretary
17 April 2019

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 kila Mwaka

Ilani inatolewa kwamba mkutano mkuu wa hamsini na sita wa kila mwaka wa wenyehisa wa shirika la Nation Media Group PLC utafanyika katika ukumbi wa Amphitheatre jumba la Kenyatta International Convention Centre (KICC), Nairobi Ijumaa tarehe 28 Juni 2019 saa nane alasiri makusudio yafuatayo.

Shughuli Za Kawaida

1. Kupokea taarifa za kifedha za mwaka uliomalizika tarehe 31 Desemba 2018 kisha matangazo ya mwenyekiti, wakurugenzi wakuu na wakaguzi wa mahesabu ya fedha kama zilivyo humo ndani.
2. Kuthibitisha malipo ya mgao wa awali wa Shs 1.50 kwa kila hisa (60%) na pia kuidhinisha malipo ya mgao wa mwisho wa Shs 3.50 kwa kila hisa (140%) kwa hisa za kawaida za mtaji ukirejelea mwaka uliomalizika 31 Desemba 2018.
3. Kuthibitisha kwamba PriceWaterHouseCoopers wanasalia ofisini kama wakaguzi wakuu wa mahesabu wa Kampuni kulingana na kifungu cha 721 cha Sheria ya Kampuni ya Kenya ya mwaka 2015 na kuwaruhusu wakurugenzi wakuu kuweka malipo ya Wakaguzi hao.
4. Kuchagua na kuchagua-tena wakurugenzi wakuu wafuatao;

   a) Kulingana na Kifungu cha 96 cha Sheria ya Ushirikiano wa Kampuni, Bw. R. Tobiko ni mkurugenzi mkuu aliyeteuliwa Machi 1, 2019, na ambaye anaastafu ila kwa kuwa anafuzu anajitokeza kuchaguliwa.

   b) Kulingana na Kifungu 110 cha Sheria ya Ushirikiano wa Kampuni, Bw. D. Aluanga, Bw. F. O. Okello na Dkt. S. Kagugube wanastaafu kwa mzunguko na kwa sababu wanafuzu, wanajitokeza kuchaguliwa tena.

   c) Kulingana na maelekezo ya sehemu ya 769(1) ya Sheria ya Kampuni ya 2015, wakurugenzi wafuatao kama wanachama wa Kamati ya Ukaguzi wa Mahesabu, Wachanganuzi wa Athari na Ufuataji kanuni, wanachaguliwa ili kuendelea kuwa wanachama wa kamati hiyo:

   (i) Bw. Dennis Aluanga
   (ii) Bw. Anwar Poonawala
   (iii) Dkt. Simon Kagugube
   (iv) Bw. Leonard Mususa
5. Kuidhinisha wakurugenzi wakuu kuratibu mishahara ya Wakurugenzi Wakuu Wasiokuwa Watendaji.

Shughuli Maalum

Kutathmini na ikionekana kufaa kupitisha maamuzi yafuatayo kama Maamuzi Muhimu

6. "Kwamba Dkt. W. Kiboro, mkurugenzi mkuu anayestaafu kulingana na Kifungu 101 cha Sheria ya Ushirika wa Kampuni na ambaye ana umri unaozidi miaka 70, bila kupinga ukweli huo, achaguliwe tena kama mkurugenzi mkuu wa Kampuni hii kwa mwaka mmoja."
7. "Kwamba Prof. L. Huebner, mkurugenzi anayestaafu kulingana na Kifungu 101 cha Sheria ya Ushirika wa Kampuni na ambaye ana umri unaozidi miaka 70, bila kupinga ukweli huo, achaguliwe tena kama Mkurugenzi Mkuu wa Kampuni hii kwa mwaka mmoja."
8. "Kwamba Bw. A. Poonawala, mkurugenzi mkuu anayestaafu kulingana na Kifungu 101 cha Sheria ya Ushirika wa Kampuni na ambaye ana umri unaozidi miaka 70, bila kupinga ukweli huo, achaguliwe tena kama Mkurugenzi Mkuu wa Kampuni hii kwa mwaka mmoja."

Kwa amri ya bodi

J C Kinyua
Katibu
17 April 2019

Fahamu: *Mwanachama anayefaa kuhudhuria na kupiga kura anaweza kuteua mtu ili kumuwakilisha ili ahudhurie na kupiga kura kwa niaba yake. Sio lazima mwakilishi huyo awe mwanachama wa Kampuni. Ili kukubalika, sharti fomu za uwakilishi zipelekwe katika ofisi ya iliyosajiliwa ya Kampuni katika muda usiopungua saa 48 kabla ya wakati ulioteuliwa kwa mkutano*

Corporate Governance Statement

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 overseeing the Group's adherence to good corporate governance principles. Prof. L. Huebner chairs the committee which has Dr. W. D. Kiboro, Mr. D. Aluanga, Mr. A. Poonawala and Mr. S. Gitagama 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 responsibility 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 and 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, Prof. L. Huebner, Mr. S. Dunbar-Johnson, Mr L. Otieno and Mr. S. Gitagama 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, Mr. W. Mwangi and Mr. S. Gitagama 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 , Mr. L. Mususa and Mr. L. Otieno as members. The members of the committee are independent and 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 is responsible for implementing the strategy approved by the board and also deals with operational matters and co-ordinates activities across the Group's various subsidiary companies and divisions.

Insider Dealings

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

Corporate Governance

Nation Media Group PLC 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 above.

NMG Corporate Values

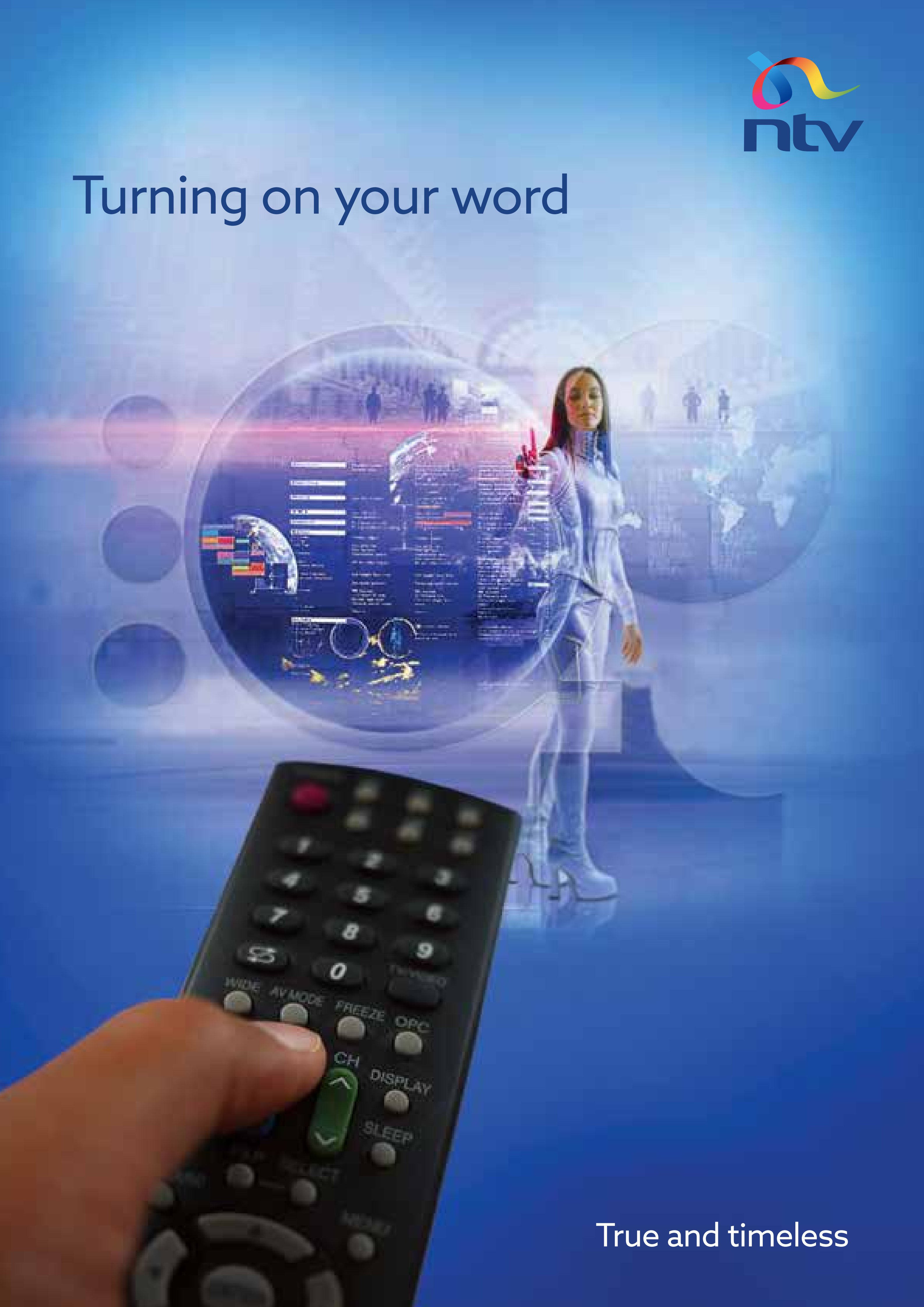
Continuous Improvement & Innovation

Consumer Focus

We are a Team

Integrity & Trust

Drive for Performance

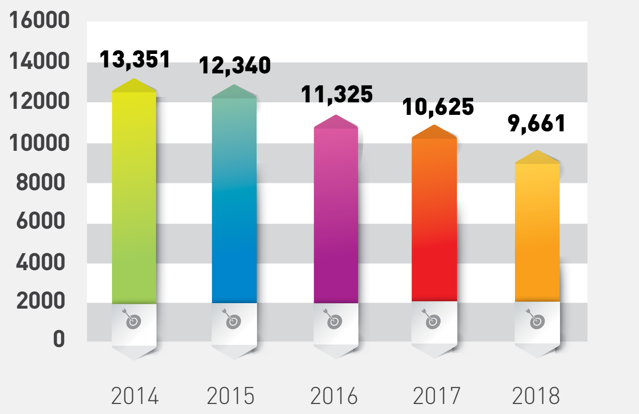


ntv
Turning on your word
WIDE
AV MODE
FREEZE
OPC
CH
DISPLAY
SLEEP
True and timeless

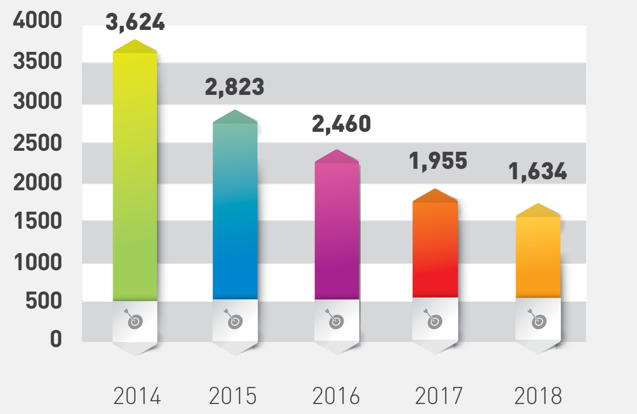

NTV
Turning on your world!
Music that moves you
True and timeless

Performance Highlights

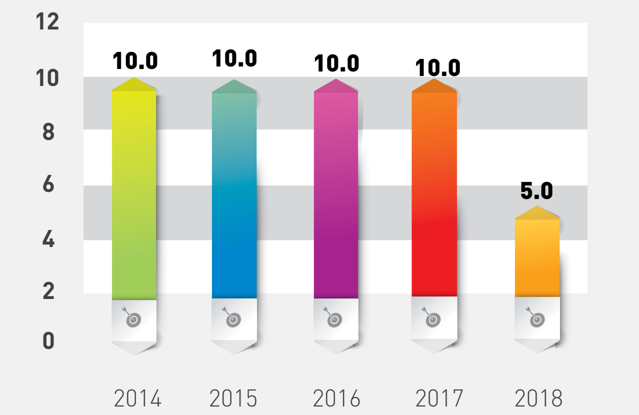
TURNOVER (SHS M)



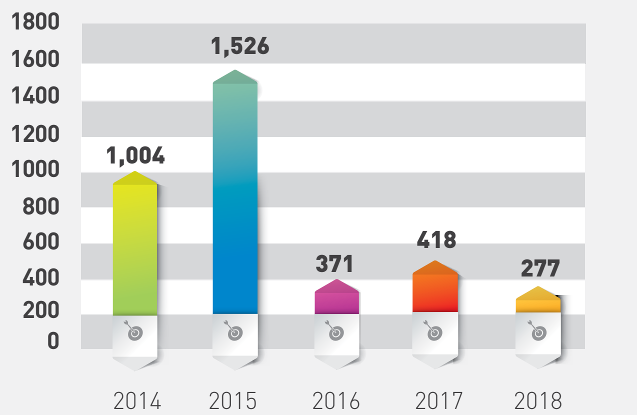
PROFIT BEFORE TAX (SHS M)



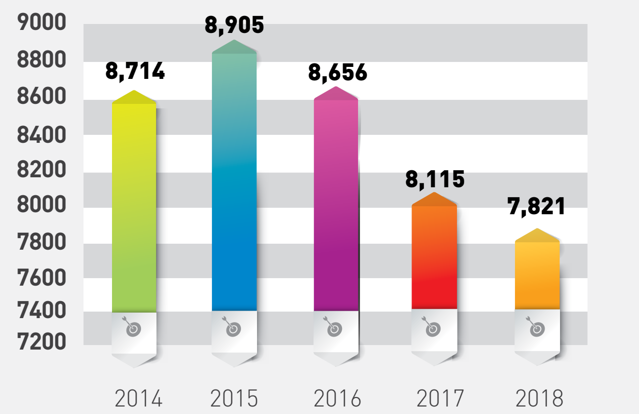
DIVIDENDS PER SHARE (SHS)



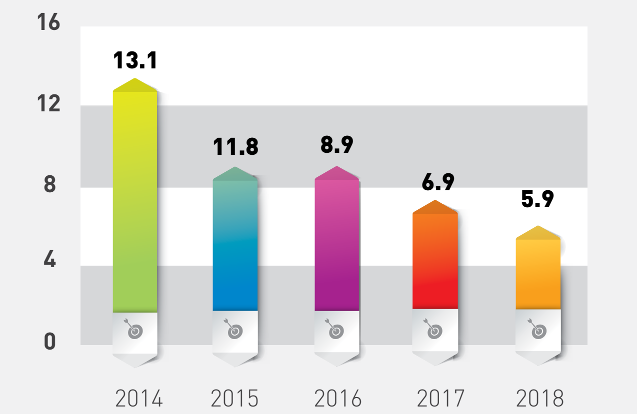
CAPITAL EXPENDITURE (SHS M)



SHAREHOLDERS FUND (SHS M)

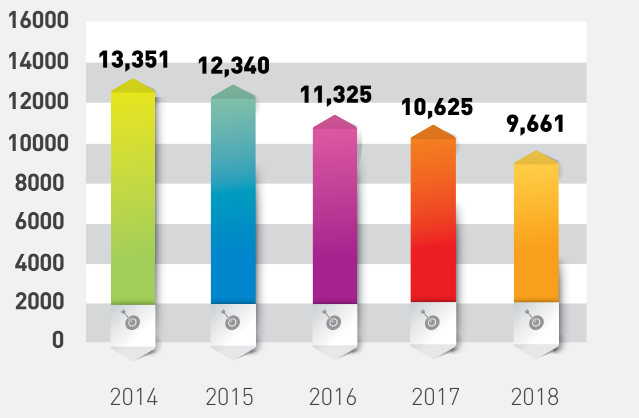


EARNING PER SHARE (SHS)

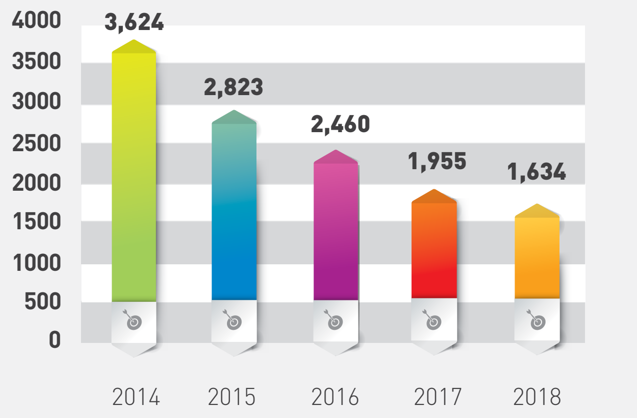


Vidokezo vya Matokeo

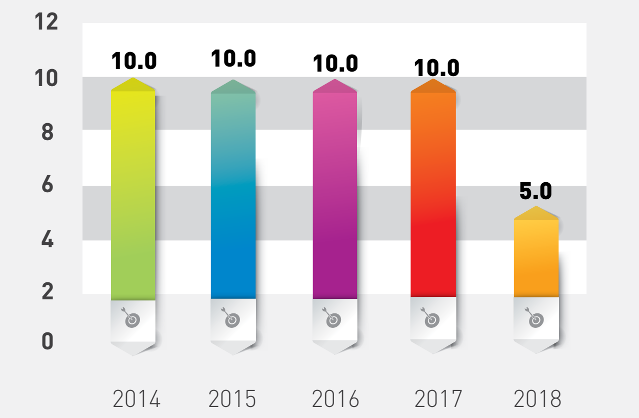
MAPATO YA JUMLA (SHS M))



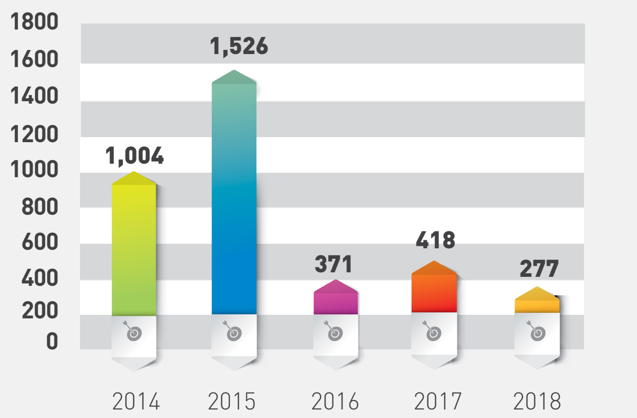
FAIDA KABLA YA KUTOZWA USHURU (SHS M)



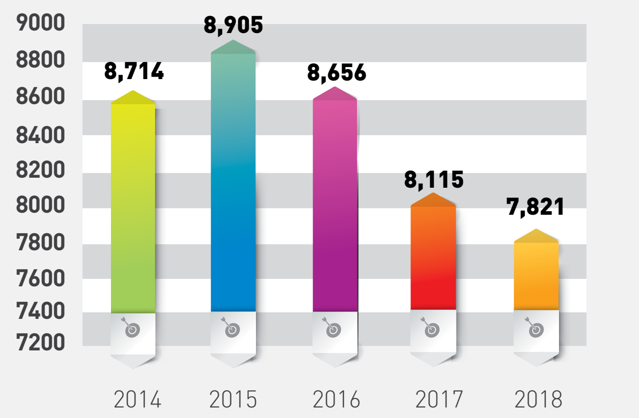
MGAO KWA KILA HISA (SHS)



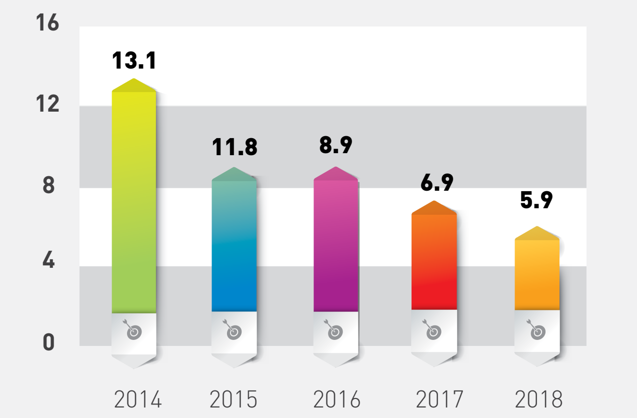
MATUMIZI YA MTAJI (SHS M)



JAZINA YA WENYE HISA (SHS M)



MAPATO KWA HISA (SHS)



AUGMENTED REALITY • VIRTUAL REALITY

Opening up a world possibilities

Nation Media Group
Media of Africa for Africa

True & Timeless

THERE WHEN THE EAST AFRICAN COMUNITY WAS FORMED

DEC. 1, 1967

THERE WHATEVER THE FUTURE HOLDS

Deep down they wanted it. With stilled smiles, Mwalimu Julius Nyerere thought of how he was even willing to delay the independence of Tanganyika in 1961 so that the region could attain self rule as one. Dr. Milton Obote and the Baganda kingdom to live with. They had their ideas. And Mzee Jomo Kenyatta welcomed it, this was Africa's time. As the *Daily Nation* captured the moment, the leaders were ready for anything.

Happy World Press Freedom Day

SINCE 1959

Chairman's Statement

"Going forward, NMG will be defined as an organization that is innovative, digital, agile and adaptive; one that embraces the principle of self-improvement and passionately living our values always true and timeless. That has been our legacy. We shall never forget our commitment to positively transform society, by continuously creating new value and generating quality, differentiated and engaging content."

Dr. Wilfred D. Kiboro
Chairman

It gives me great pleasure to present to you the Group's financial performance for the year ended 31st December, 2018.

Dear Stakeholders,

On behalf of the Board of Directors, it gives me great pleasure to present to you the Group's financial performance for the year ended 31st December, 2018.

As the Nation Media Group (NMG) marks its 60th anniversary, it is an opportune time to reflect about the past and our mission and to appreciate our rich heritage and those who have been part of it. I am very honored and privileged to do so today.

Indeed, the story of the Nation as inscribed in our publication, *The Birth of a Nation*, is synonymous to the story of Kenya and that of the region. However, such celebratory occasions present a great opportunity to reflect on the dream of our Founder His Highness the Aga Khan, a very young man then, when he ventured into media in 1959 when Kenya was under the yoke of British Colonial rule. The pre-colonial era, particularly the late 50's and early 60's, was a key and pivotal moment for Kenya as she was approaching her independence. His Highness the Aga Khan envisioned the establishment of a nationalist platform where indigenous African voices could be heard and authentic nationalist stories told from an African perspective. NMG was founded on the bedrock of a set of core values to espouse independent voices, diversity and freedom of expression. Central to these values and the purpose for our establishment, was a mission to be a trusted partner to emerging African democracies, a champion of the ordinary person in his/her interaction with the government of the day, a voice for the rule of law and respect for human rights, and a strong advocate for free market economies. This mission has remained unchanged over the years.

It was on this backdrop, on March 20, 1960, *The Nation* was born describing itself as "East Africa's newest, liveliest Sunday", the newspaper further stated "Very briefly, we intend to live up to our name and do everything in our power to help the various communities of East Africa to build nations where people of all races can live freely and peacefully under the rule of law. Beyond this, *The Nation* accepts the desirability of transfer of power to African majorities in the three territories of East Africa within the next few years." By this first issue *The Nation* declared support for African majority rule. A lot of you may not know this, *The Nation* was a Sunday paper and only changed its title to *Daily Nation* seven months later. It started its origins with a lot of firsts – For start it was produced using the then revolutionary web-offset method of printing, a new technology which provided quality far ahead of that available to other publishing houses. It was during this decade that *The Nation* became the first newspaper to be distributed nationwide from the presses in Nairobi.

The Nation covered the rise of the East African Community and the political and economic challenges that faced the various nation-states as the region went through the pains of the Cold War period. Politics in East Africa was defined by the leaderships of Mzee Jomo Kenyatta, Uganda's Milton Obote and Tanzania's Julius Nyerere. There was also pressure on *The Nation* on how to cover the rise of pan-Africanism. It was a tricky balance during the 60s when the Cold War politics defined media coverage into either Eastern or Western blocs. Locally, politicians – even at the Cabinet level - affiliated themselves into these blocs and *The Nation's* coverage went through these challenges to maintain its independence. The rise of Oginga Odinga's Kenya Peoples Union and the mass detention of Kenyatta's opponents in 1969 saw the country plunge into new levels of political intolerance. *The Nation* called for tolerance and respect for rule of law.

We can now comfortably say that in the last six decades, the Group has been at the forefront of shaping the destiny of the region – in political, social and economic terms.

We were there during the political evolution of the region, defined by Kenya's independence leading to the formation of a Republican state but a period that was bedeviled by the death of multi-party politics, the emergence of a repressive KANU regime and the assassinations of the greats of Pio Gama Pinto, Tom Mboya, J.M. Kariuki among others that started soiling our political atmosphere.

The 1978 death of Mzee Jomo Kenyatta led to the one party state dismembering the Constitution bestowing the Presidency with imperial powers. The abuse of powers during the President's Moi's era included the purging of pro-democracy activists like Koigi Wamwere, Dr. Mukaru Nganga, Dr. Willy Mutunga, Raila Odinga, Prof. Maina Kinyatti, George Anyona, Edward Oyugi, journalist Otieno Mak'Onyango, and former Cabinet Minister Kenneth Matiba, among others through detention

Chairman's Statement (continued)

without trial. During this time the Executive totally disabled the Judiciary and Parliament resulting in a lack of separation of powers and the media was gagged with only the national broadcaster, *KBC* and *KTN TV* Station, where political class had interests, allowed to operate. This received great resistance from the political class leading to the second liberation.

The Nation gallantly continued to push for freeing of airwaves to ensure that more people obtained access to information as a means to expand the socio-economic and democratic space. This we managed to do after 13 years, an action that is now credited for the development of a free and vibrant electronic and digital media.

Environmental degradation through corruption resulted in forests being invaded through logging to destroy the water towers. The Group, in its commitment in creating value for society, participated in raising funds for the fencing off 440km Aberdares Mountain over a period of 10 years to save the water towers for Nairobi. This also contributed in reducing the human-wildlife conflict. Other notable environmental issues taken up by Nation included saving Karura Forest which had been allocated to individuals by the Government. NMG took a firm stand against this move to the displeasure of Government, mobilised like-minded civil society organisations including Prof. Wangari Maathai, who later in 2004 received the Nobel Peace Prize for her environmental conservation efforts. Saving Uhuru Park was another hot issue covered by the Group which resulted in ordinary women who camped, went on hunger strike and even stripped naked (which in African culture is considered a curse) to protest the Government's move. Our stance on the issue and intense coverage saved Uhuru Park. Every time we look out of our windows at Nation Centre, we are proud of the little contribution we made with other like-minded people to save the park.

As corruption started rearing its ugly head and crippling the economy, we were the first media house to report openly various scandals such as the Goldenberg, Anglo Leasing among others. NMG has continued to aggressively champion matters on exposure of corruption, transparency and accountability. This we have done without fear or favour calling to account those in authority and leadership, including the private sector. We have recently uncovered a number of corruption scandals, from NYS, the NCPB Maize Scandal, Kenya Power, Kenya Pipeline, Dams Scandal, leading to arrests, recovery of corruption proceeds and placing anti-corruption crusade at the centre of our country's agenda. The current campaign against corruption undertaken by the media in Kenya, is a true testament to the critical role the media can play in fostering transformation.

It is in the fifth decade that the Nation began implementation of its Board commitment to pursue other opportunities beyond its current area of operation and turned its attention to Uganda and Tanzania. The Group acquired the Kampala tabloid, *The Monitor* and launched a radio station *Monitor FM 93.3.* In Tanzania, President Mkapa inquired if NMG would bring its quality journalism to Tanzania and after lengthy negotiations led to acquisition of Mwananchi Communications Ltd. It is this expansion and the belief that conditions were ripe for a revival of the East African links that the group began to think of itself, the words that became an in-house mantra and are now permanently affixed on NMG's logo, as "the Media of Africa for Africa".

The role of the mass media then and continues to be is to educate, inform and entertain the people. The media is as to all of us as our other daily needs. The media influence the way people look at the world and make them change their views. Media acts as a recorder and a watchdog to protect public interest against suppression, exploitation and oppression of the weak, poor governance, corruption and malpractices by the mighty and powerful people in government and other institutions by reporting courageously and creating public awareness and galvanizing people against such malpractices.

This is what NMG has been trying to do in the last six decades. But it has not been easy. The Group has gone through many challenges including discrimination, hostile governments and regulators who were uncomfortable and distrustful of our mission and our good intentions for this nation. Just to mention one such obstacle, it took thirteen years for the government to issue us with our first radio license and even then a company we had legally acquired which had TV licenses throughout the country had the licenses immediately revoked and it took 10 long years to get the licences restored through a Court judgement. But despite these many challenges including denial of government advertising although our circulation numbers were at least three to four times those of our nearest competitor we weathered the storms, seized the opportunities available to record remarkable achievements and build a strong brand to emerge as the largest independent media house in East and Central Africa.

Chairman's Statement (continued)

But even as we take stock of our many achievements we must also think about the future and broaden the conversation to conceptualize NMG in the next 60 years and beyond in the changing digital world where technological innovations, digital disruptions will revolutionize the way we do things, and the global rearrangement of economic trading blocks, political units and national boundaries of today will be less important in the converged technologically advanced globalized world.

Going forward, NMG will be defined as an organization that is innovative, digital, agile and adaptive; one that embraces the principle of self-improvement and passionately living our values always true and timeless. That has been our legacy. We shall never forget our commitment to positively transform society, by continuously creating new value and generating quality, differentiated and engaging content. Our relevance will depend on understanding the new age consumers, through deployment of data and meeting them at their point of need.

At the centre of our existence is independent and quality journalism. We live in challenging times with serious existential threats to media freedom across the world, squeezing the very space credited for the advancement of social, economic, and political progress. We no longer break news; social media has taken over that role. Citizen journalism is a reality. The youth, who constitute the bulk of the population in East Africa, literally play in the digital space, which is both a challenge and an opportunity. It is incumbent upon us to develop diverse and relevant content that we can serve on the platform where they are.

Granted, an impression may emerge of a dim future for the traditional media industry. However, it is precisely for this reason that the position of media is getting stronger than ever before. Gerard Loughran reminds us in the *The Birth of a Nation publication that: The fact is [media] are denounced constantly, often unfairly, most particularly by governments. The day the challenges stop is the day the Nation should start worrying.* Our relevance continues to be enforced through quality journalism. Our compass is truth, independence, fairness, balance and accuracy.

Economic and Political Environment

Although 2018 witnessed a marginal rebound of the East African economies, this has not translated into tangible benefits to companies and ordinary citizens. For example, in Kenya, 15 publicly traded firms issued profit warnings, while several others reported reduced earnings as a result of the tough economic environment. The regional economies continued to be vulnerable to both external and internal shocks. The countries continued to confront challenges such as poor management of public resources, shortfalls in domestic revenues, limited access to credit, adverse impacts of climate change affecting agricultural production, rising public debt and political uncertainty.

Financial Performance

Despite the difficult operating environment in the region, the Group posted a decent profit after tax of Shs 1.1 billion which was 14.7 per cent below the previous year.

The decline in profit was due to the lower revenues, which dropped by 9.1 per cent – Shs 9.7 billion against Shs 10.6 billion realized in 2017.

Dividends

Considering the business performance over the last few years, and the need to preserve cash for investment in future digital revenue streams as well as diversifying our product offering ,the Directors recommend to the shareholders for approval of a final dividend Shs 3.50 per share (140 per cent) per share, which, together with the interim dividend of Shs 1.50 per share (60 per cent) paid on 30th September 2018, makes a total of Shs 5.00 per share (200 per cent) per share for the year ended 31st December 2018 (2017: Shs 10.00 per share). The dividend will be paid less withholding tax where applicable on or about 31st July 2019, to shareholders registered on the register of members at the close of business on 14 June 2019. The register of members will be closed from 17 to 21 June 2019, both dates inclusive.

Share Price and Market Capitalization

The NMG share price declined from an average of Shs 116. 0 at the end of the previous year to close at an average of Shs 68.5. This was due to the subdued Nairobi Securities Exchange (NSE) market across the board that was characterized by difficult operating environment leading to reduced earnings and foreign capital flight. The Group's market capitalization was Shs 12.9 billion as at 31st December 2018.

Business Environment

The operating environment in East Africa continues to be challenging with unpredictable and sometime hostile regulatory legislations. The restrictions on media freedom across the region remains an ongoing and very worrying issue. In Kenya, the media experienced the closure of four television stations, including the Group's *NTV*. A number of instances of threats, intimidation, attacks and detention of journalists, by authorities took place across the region.

Chairman's Statement (continued)

In Tanzania, the freelance journalist Azory Gwanda, who worked for Mwananchi Communications Limited, has been missing for more than one year. Further, at least four Tanzanian newspapers have been shut down by the government in the past two years. In this context, regulatory and reputation management remain a priority and we continue to proactively engage both industry and the government to safeguard media freedom, independence and uphold the public's right to information.

Additionally in Tanzania, we have taken proactive steps to comply with the Media Services Act that restricts foreign ownership in a print media enterprise to 49 per cent and have identified a suitable shareholder who is in the process of acquiring 51 per cent of the shareholding in Mwananchi Communications Limited, subject to obtaining regulatory approvals to conclude the transaction.

Sustainability Agenda

The Group's commitment to sustainability is unequivocal. We can grow profitably through a shared value approach, contributing to society by making smarter and more resource-efficient solutions, for more people in the communities we operate in. Over the years, we have managed to create a positive impact on different fronts of sustainability, but we also recognize that we still need to make some strides to achieve our sustainability goals. Our objective is to entrench the Group as a strategic and sustainable partner of choice.

Our focus is to improve literacy levels in the communities that we operate in. This will ensure that NMG plays a crucial role in achieving the 4th United Nations (UN) Sustainable Development Goal, of ensuring inclusive and quality education for all and to promote lifelong learning.

The Group attracted younger readers through its *Newspapers in Education* (NiE) initiative that was implemented in 257 schools (nearly double the growth from 152 in the previous year) and impacted 72,820 pupils across 31 counties in Kenya. The NiE initiative fostered the development and launch of *JuniorSpot*, a Monday *Daily Nation* education pullout that presents educative, informative and entertaining material for school children. To achieve its objective of boosting literacy levels across the country, NMG partnered with Geminia Insurance, Fresha Milk and World Vision.

In Uganda, the Group partnered with the National Social Security Fund and other stakeholders in Uganda to raise more than Shs 8.1 million over three years to improve the learning conditions in public schools. In the past two years the initiative has raised Shs 5.3 million which was utilized to renovate Mbuya Church of Uganda Primary School and St. Paul Primary School that will impact 1,000 children around Kinawataka in Mbeya and the surrounding areas.

In Tanzania, we partnered with other like-minded institutions for the second edition of the Tulia Marathon. This marathon is geared towards providing and promoting care, protection and opportunities for women maternal health and the girl child education, impacting more than 1 million people.

Editorial Policy and Guidelines

Building a strong reputation helps an entity create and protect value by establishing a reservoir of goodwill to draw upon for its sustainability. The reputation of the Nation and its brands is our most valuable asset. It is in this respect that towards the end of 2018, the Group commissioned a national Corporate Reputation Survey to evaluate perceptions of relevant stakeholders on the Group's reputation; benchmark our corporate reputation against other large organizations including media; and identify continued strategic areas of focus.

I am proud to inform you that the survey placed the Group ahead of the biggest organizations in the Region and with the level of public trust we enjoy well above all these other big brands. This is a testament of the strength of our brand, and which is linked to the quality of our journalism.

People believe us because of our commitment to professional excellence. They know that we are rigorous in our reporting and are quick and willing to make amends when we get things wrong. Nation will remain true to high standards of editorial integrity and independence.

Board Changes

Prof. Olive Mugenda and Mr. Thomas Mshindi retired from the board during the year while Mr. James Montgomery will not be seeking re-election at the coming AGM. We thank them for their invaluable contribution and leadership to the Group and wish them well in their future endeavors.

Our People

The future of NMG will only be guaranteed by continued focus on rebooting our culture to embed values that will complement our digital journey. This means recruiting highly skilled young talent that understands the needs of the new generation who form the bulk of our customers, retaining the best that we have, while creating an enabling environment for their success.

Chairman's Statement (continued)

Looking Ahead

The rapidly changing media landscape challenges our relevance to deliver to the needs of our consumers. In this world of changing consumer habits, complex information, big data, artificial intelligence and the fourth industrial revolution, journalism continues to have a place like never before. But it is not just journalism, it is about quality journalism. In this ongoing struggle, now, more than ever, presents a great opportunity to relive our vision and purpose of transforming society by delivering quality, differentiated and relevant content in a sustainable manner.

The board is encouraged to see more signs of diversification of content beyond news and the new revenue streams delivering value to the Group. We are satisfied that management has the resolve and the drive to continue redefining the Group as a modern content company. In this regard, the focus will be on implementation of the digital strategy, underpinning the growth with future investments to grow our content business and create new value.

On behalf of the Board, I wish to reassure our shareholders that we remain steadfast, as witnessed for the last 60 years, to surmount any challenge and seize opportunities that will safeguard the sustainability of NMG as the leading, independent and most trusted media house in this region. In this context the Group will celebrate the 60 years anniversary under the theme *True & Timeless* which captures our rich heritage and commitment to a sustainable future, as we recommit our mission of being a true, trusted & independent champion of society.

We shall remain resolutely committed to the unity, economic development and prosperity of the people of Kenya and of the East African Region, advocating for and rendering a strong voice to the African Rennaissance, as the Media of Africa for Africa.

I take this opportunity to thank our Founder His Highness the Aga Khan for his unwavering support and guidance for the past six decades, my fellow directors for their support, guidance and good counsel, and the management and staff of NMG for their splendid work. Lastly allow me also to most sincerely thank our shareholders, business partners, customers and other stakeholders for their support and believing in us and our mission and standing by us all these years in good times and challenging times, with courage, dedication and determination. I take this opportunity to invite them join us in celebrating our 60th anniversary.

Asanteni sana.

Dr. Wilfred D. Kiboro
Chairman

Taarifa ya Mwenyekiti

"Tunaposonga mbele, NMG itatambuliwa kama shirika lililo bunifu, la kidijitali, jepesi na kumbativu zaidi; shirika linalokumbatia msimamo wa kujiimarisha lenyewe na kufuata thamani zetu za kubakia wakweli siku zote bila kupitwa na wakati. Hiyo ndiyo imekuwa kumbukizi yetu. Hatutawahi kusahau kujitolea kwetu ili kubadilisha jamii kwa njia bora, kwa kuendelea kubuni thamani mpya na kuibua machapisho yenye ubora, ya kipekee na yanayonata akili."

Dkt. Wilfred D. Kiboro
Mwenyekiti

Kwa wadau wapendwa,

Kwa niaba ya Bodi ya Wakurugenzi Wakuu, ninaona fahari kuwasilisha kwenu matokeo ya kifedha ya Shirika hili katika mwaka uliokamilika tarehe 31 Desemba, 2018.
Shirika la Nation Media Group (NMG) linapoadhimisha miaka 60, ni wakati mzuri wa kutafakari kuhusu nyakati zilizopita na huduma yetu na kushukuru kwa urithi wetu mpevu pamoja na wote waliohusika nao. Ninaona furaha na kujihisi mwenye heri kufanya hivyo leo.

Waama, hadithi ya Nation kama ilivyoandikwa kwenye chapisho letu, *The Birth of a Nation* yaani Kuzaliwa kwa Taifa, inaenda sambamba na hadithi ya Kenya na ile ya ukanda huu. Hata hivyo, matukio kama hayo ya kusherehekewa yanatoa fursa kuu ya kutafakari kuhusu ndoto ya Mwasisi wetu Mwadhama Aga Khan, akiwa mtoto mdogo wakati huo, alipojitosa kwenye wanda la uanahabari mnamo 1959 Kenya ilipokuwa chini ya nira za Mkoloni Muingereza. Katika enzi ya ukoloni, hasa mwishoni mwa miaka ya '50 na mapema miaka ya '60, ilikuwa muhimu na wakati muafaka kwa Kenya kwani ilikuwa inakaribia kujipa uhuru. Mwadhama Aga Khan alitazamia kubuni jukwaa la kitaifa ambapo sauti za wazawa wa Afrika zingesikika na simulizi halisi za wazalendo kuangaziwa kwa upeo wa Kiafrika. NMG ilibuniwa kwa msingi wa fungu la thamani kadhaa kuu, kutoa fursa ya usemi huru na kuimarisha upana wa mitazamo na uhuru wa kujieleza. Kusudi kuu la thamani hizi na dhamira ya kuanzishwa kwetu, ilikuwa 'mshirika' anayeaminika kwa huduma katika nchi ibuka za Afrika, mtetezi wa mwananchi wa kawaida katika kutangamana kwake na serikali iliyopo, kuwa sauti ya utawala wa sheria na utiifu kwa haki za binadamu, na mtetezi mkuu wa utaratibu wa soko huru. Azimio hili limesalia hivyo kwa miaka hii yote.

Ilikuwa kwa msingi huu ambapo mnamo Machi 20, 1960, *The Nation* ilizaliwa ikijiita gazeti "jipya na la kusisimua la Jumapili katika eneo la Afrika Mashariki", gazeti hili kadhalika lilieleza kwa ufupi, "tunataka kulitunza jina letu na kufanya tuwezalo kusaidia jamii mbalimbali za Afrika Mashariki kujenga mataifa ambayo watu wa rangi zote wanaweza kuishi kwa uhuru na amani chini ya utawala wa sheria. Zaidi ya hili, *The Nation* inakubali hamu ya kuhamisha mamlaka kwa Waafrika, walio wengi, katika himaya tatu za Afrika Mashariki katika miaka michache ijayo." Kwa toleo hili la kwanza, *The Nation* ilitangaza kuunga mkono utawala wa Waafrika, waliokuwa wengi. Wengi wenu huenda hamlijui hili, *The Nation* lilikuwa gazeti la Jumapili lakini likabadilisha jina lake kuwa *Daily Nation* miezi saba baadaye. Lilitadarukia asili zake kwa ushindi mwingi – Mwanzo lilichapishwa kwa kutumia mbinu ya kipekee isiyokuwa ya kimtandao ya wakati huo, ya uchapishaji, ikiwa teknolojia mpya iliyokuwa na ubora zaidi kuzidi mashirika mengine ya uchapishaji yaliyokuwapo wakati huo. Ilikuwa katika muongo huo ambapo *The Nation* lilikuwa gazeti la kwanza kusambazwa kote nchini kutoka Nairobi.

The Nation iliangazia kuinuka kwa Jamii ya Afrika Mashariki na changamoto za kisiasa na kiuchumi ambazo zilikumba mataifa mbalimbali kwani ukanda huu ulipitia matatizo ya kipindi cha Vita Baridi. Siasa katika ukanda huu zilifasiliwa na uongozi wa Mzee Jomo Kenyatta, Milton Obote wa Uganda na Julius Nyerere wa Tanzania. Pia palikuwapo na shinikizo kwa *The Nation* kuhusu jinsi ya kuangazia Uana-Afrika. Ilikuwa vigumu kusawazisha mambo katika miaka ya '60 pale siasa za Vita Baridi zilipoelekeza habari za vyombo vya habari kwa msingi wa ama Mrengo wa Kushoto (Mashariki) na Mrengo wa Kulia (Magharibi). Kitaifa, wanasiasa – hata kwa kiwango cha mawaziri – walijihusisha na mojawapo ya mirengo hii nao uangaziaji wa gazeti la *The Nation* ukapitia changamoto hizi ili kudumisha uhuru wake. Uinukaji wa chama cha Oginga Odinga cha Kenya Peoples Union na utupaji kizuizini wa wapinzani wa Kenyatta katika mwaka wa 1969 ulichangia katika kuibuka kwa viwango vipya vya uasi wa kisiasa. *The Nation* ilipigia debe utiifu na heshima kwa utawala wa sheria.

Kwa sasa twaweza kusema kinagaubaga kuwa katika miongo sita iliyopita, Shirika hili limekuwa katika mstari wa mbele katika kuamua hatima ya eneo hili kisiasa, kijamii na kiuchumi.

Tulikuwepo wakati wa ukuaji wa siasa za eneo hili, uliojitokeza dhahiri Kenya ilipopata uhuru hadi kwa uundaji wa taifa Jamhuri lakini kipindi hicho kilitatizwa na kifo cha siasa za vyama vingi, kuinuka kwa utawala kandamizi wa KANU na mauaji ya wanasiasa maarufu kama vile Pio Gama Pinto, Tom Mboya, J.M. Kariuki miongoni mwa wengine, hali iliyoanza kuvuruga mazingira ya kisiasa.

Kifo cha Mzee Jomo Kenyatta mnamo 1978 kilisababisha kuzuka kwa taifa la chama kimoja na kubadilishwa kwa Katiba ili kuupa Urais mamlaka makuu. Matumizi mabaya ya mamlaka katika enzi ya Rais Moi yalijumuisha kutunguliwa kwa watetezi wa demokrasia kama vile Koigi wa Wamwere, Dkt. Mukaru Ng'ang'a, Dkt. Willy Mutunga, Raila Odinga, Prof. Maina Kinyatti, George Anyona, Edward Oyugi, mwanahabari Otieno Mak'Onyango, na Waziri wa zamani Kenneth Matiba, miongoni mwa wengine, kwa kuwatupa kizuizini bila kuhukumiwa kortini. Wakati huo, Serikali ilififisha kabisa Idara ya Mahakama na Bunge na hivyo kutinga uhuru wa idara za serikali, navyo vyombo vya habari vikavurugwa isipokuwa idhaa ya taifa, *KBC* na kituo cha runinga cha *KTN*, ambacho viongozi wa serikali walimiliki sehemu yake. Hali hii ilizua upinzani mkali kutoka kwa wanasiasa, na kuchangia ukombozi wa pili. Kishujaa *The Nation* iliendelea kushinikiza uhuru wa kumiliki kasi-mawimbi ya vyombo vya habari ili kuhakikisha kuwa watu wengi wanapata habari kama njia ya kupanua nafasi ya jamii-uchumi na demokrasia. Hili tulifanikiwa kulifikia baada ya miaka 13, hatua inayosifiwa kwa kukuza uhuru wa vyombo thabiti vya habari vya kielektroniki na kidijitali.

Uharibifu wa mazingira kupitia kwa ufisadi ulisababisha kuvamiwa kwa misitu kwa shughuli za kukata miti na kuharibu vyanzo vya maji. Shirika hili, katika maazimio yake ya kubunia jamii thamani, lilishiriki katika kukusanya fedha za kuweka ua kwenye Mlima wa Aberdare wenye ukubwa wa kilomita 440,

Taarifa ya Mwenyekiti (inaendelea)

harakati iliyochukua miaka 10 ili kuokoa vyanzo vya maji ya kuifaa Nairobi. Hili pia lilichangia katika kupungua kwa mizozo baina ya binadamu na wanyamapori. Masuala mengine makuu ya kimazingira yaliyohusisha Nation yalijumuisha kuokoa Msitu wa Karura ambao ulikuwa umegawiwa watu na Serikali. NMG ilichukua msimamo mkali dhidi ya hatua hiyo, na hivyo kuudhi Serikali; ambapo iliwakusanya makundi ya kijamii yenye fikra sawa na yake akiwemo Prof Wangari Maathai, ambaye baadaye mnamo 2004 alipokea Tuzo ya Amani ya Nobeli kwa juhudi zake za kutunza mazingira. Suala jingine moto lililopewa umuhimu na Shirika hili lilikuwa kuokoa bustani ya Uhuru Park, suala lililosababisha wanawake kukusanyika hapo, kuanza mgomo wa kususia chakula na hata kuvua nguo zao (tukio ambalo katika utamaduni wa Kiafrika linafasiriwa kama laana) kwa kusudi la kulalamika dhidi ya hatua hiyo ya Serikali. Msimamo wetu kuhusu suala hili na kuliangazia kwa dhati uliokoa Uhuru Park. Kila mara tunapotupa macho yetu nje kupitia madirisha yetu ya Nation Centre, huwa tunajawa na fahari kwa mchango wetu mdogo tuliotoa kwa pamoja na watu wenye fikra kama zetu kuokoa bustani hiyo.

Ufisadi ulipoanza kuchomoza sura yake mbaya na kulemaza uchumi, sisi tulikuwa chombo cha kwanza cha habari kuangazia kijasiri sakata mbalimbali kama vile Goldenberg, Anglo Leasing miongoni mwa nyinginezo. NMG imeendelea kuongoza katika kuangazia masuala ya ufisadi, uwazi na uwajibikaji. Hili tumelitekeleza bila woga au mapendeleo huku tukiwataka walio mamlakani na uongozini kuwajibika, ikiwemo sekta ya kibinafsi. Hivi majuzi tumefichua sakata kadhaa za ufisadi, kuanzia kwa NYS, kashfa ya Mahindi katika NCPB, Kenya Power, Kenya Pipeline, Sakata ya Mabwawa ya maji, hatua ambayo iliisukuma serikali kuwanasa wahusika/washukiwa, kutwaa mali ya wafisadi na kulijumuisha suala la vita dhidi ya ufisadi katika ajenda kuu ya nchi. Kampeni ya sasa dhidi ya ufisadi inayoendeshwa na vyombo vya habari nchini Kenya, ni ushuhuda hakika kuhusu jukumu muhimu linaloweza kutekelezwa na vyombo vya habari katika kuzidisha mageuzi.

Ni katika muongo wa tano ambapo Nation ilianza kutekeleza juhudi zake za Bodi, za kuandama nafasi nyinginezo zaidi ya upeo wake wa sasa wa utendakazi na kuelekeza mazingatio yake kwa nchi za Uganda na Tanzania. Shirika hili lilinunua gazeti la jijini Kampala la The Monitor na kuzindua kituo cha redio cha Monitor FM 93.3. Nchini Tanzania, Rais Mkapa alidadisi kuhusu iwapo NMG ingepeleka utaalamu wake wa uanahabari nchini Tanzania na baada ya mashauriano ya kina ikaamua kununua kampuni ya Mwananchi Communications Ltd. Ni kutokana na upanuzi huu na imani kuwa wakati wa ufufuzi wa ushirikiano wa Afrika Mashariki ulikuwa umefika ambapo shirika hili lilianza kujifikiria, na maneno yaliyokuja kuwa kauli-mbiu ya ndani kwa ndani, na kwa sasa kupachikwa katika nembo ya NMG, yaani "the Media of Africa for Africa", kuibuika.

Jukumu la vyombo vya habari wakati huo na linaendelea kuwa hivyo, ni kuelimisha, kufahamisha na kuburudisha jamii. Vyombo vya habari ni muhimu kwetu sawia na yalivyo mahitaji mengine ya kila siku. Vyombo vya habari huelekeza jinsi watu wanavyoutazama ulimwengu na kuwafanya kubadilisha maoni yao. Vyombo vya habari hutekeleza jukumu la mnakili/rekoda na mlinzi wa maslahi ya umma dhidi ya kuhiniwa haki, kunyanyaswa na kukandamizwa kwa wanyonge; dhidi ya utawala mbaya, ufisadi na matumizi mabaya ya mamlaka na wenye uwezo na mamlaka serikalini na taasisi nyinginezo, kwa kuwaangazia kijasiri, kuufahamisha umma kuyahusu na kuwaleta watu pamoja kupinga hila kama hizo.

Hilo ndilo ambalo NMG imekuwa ikijaribu kutimiza katika miongo sita iliyopita. Lakini haijawa rahisi. Shirika hili limepitia changamoto tele zikiwemo kubaguliwa, serikali dhalimu na asasi zake kushuku na hata kukosa kuamini huduma yetu na nia yetu nzuri kwa taifa hili. Katika kutaja tu moja ya visiki vya aina hiyo, ilichukua miaka kumi na mitatu kwa serikali kutukabidhi leseni yetu ya kwanza ya redio lakini hata baada ya kupiga hatua hiyo, kampuni tuliyokuwa tumenunua ikiwa na leseni za TV kote nchini, ilipokonywa leseni hizo na ikatuchukua miaka mingine 10 kabla ya kurejeshewa leseni hizo kupitia kwa maamuzi ya korti. Lakini licha ya changamoto hizi nyingi ikiwemo kunyimwa matangazo ya biashara ya serikali, mauzo yetu ya magazeti yakiwa mara tatu hadi nne zaidi ya washindani wetu wa karibu, tulikiuka kimbunga hicho, tukaparamia nafasi zilizokuwepo na kupata mafanikio ya kutamaniwa, na kujenga bidhaa thabiti ambayo ilitokea kuwa chombo kikubwa zaidi na huru cha habari katika ukanda wa Afrika Mashariki na Kati.

Lakini hata tunapoendelea kutafakari kuhusu mafanikio yetu mengi, sharti tufikirie pia kuhusu mustakabali wetu na kupanua mdahalo wa kubuni upya NMG katika kipindi cha miaka 60 ijayo na zaidi hasa katika ulimwengu huu unaobadilika wa kidijitali ambapo uvumbuzi wa kiteknolojia, na mvurugo wa kidijitali utabadilisha jinsi tunavyofanya mambo yetu, ambapo pia taratibu za kimataifa katika masuala ya maeneo ya kiuchumi, miungano ya kisiasa na mipaka ya kitaifa iliyopo leo haitakuwa na umuhimu sana katika ulimwengu uliounganishwa kiutandawazi na kustawi kiteknolojia

Tunapoendelea kusonga mbele, NMG itatambuliwa kama shirika lililo bunifu, la kidijitali, jepesi na kumbativu; shirika linalokumbatia msimamo wa kujiimarisha lenyewe na kufuata thamani zetu za kubakia wakweli siku zote bila kupitwa na wakati. Hiyo ndiyo imekuwa kumbukizi yetu. Hatutawahi kusahau kujitolea kwetu kubadilisha jamii kwa wema, kwa kuendelea kubuni thamani mpya na kuibua ripoti/machapisho yenye ubora, ya kipekee na yanayonata akili. Ufaafu wetu utategemea uelewa wa wateja wa kizazi kipya, kwa kutumia data na kutunza maslahi yao pale penye uhitaji wao zaidi.

Taarifa ya Mwenyekiti (inaendelea)

Mhimili wa uwepo wetu ni uanahabari huru na bora. Tunaishi katika nyakati changamani zilizo na hatari kuu za kuangamiza uhuru wa wanahabari kote duniani, zikibana nafasi ileile iliyotambuliwa kama ya kuleta ustawi wa kijamii, kiuchumi na kisiasa. Siku hizi hakuna tena jukumu la kuchipuza habari; vyombo vya habari vya kijamii vimechukua jukumu hilo. Hali kuwa uanahabari unaendeshwa na mwananchi wa kawaida ni tukio halisia na lililopo. Vijana ambao ndio wengi katika ukanda wa Afrika Mashariki, kihalisia 'wanachezea' katika ulimwengu wa kidijitali, hali ambayo ni changamoto na wakati uo huo kuwa nafasi nzuri. Ni juu yetu kubuni habari na makala yanayostahili ambayo tunaweza kuwasambazia wasomaji wetu hao.

Ni kweli kuwa taathira ya mustakabali wa 'kiza' kwa sekta ya kisasa ya uanahabari inaweza kuzuka. Hata hivyo, ni kutokana na sababu hii ambapo nafasi ya vyombo vya habari inaendelea kuwa thabiti kuliko ilivyokuwa. Gerard Loughran anatukumbusha katika kitabu chake *The Birth of a Nation* kwamba: Ukweli ni (vyombo vya habari) vimekataliwa kila mara, hasa kimaonevu, hasa na serikali. Siku ambapo changamoto hizo zitaisha ndiyo siku ambayo Nation inafaa kuanza kuhofia. *Ufaafu wetu unaendelea kuimarishwa kupitia uanahabari wa hali ya juu. Dira yetu ni ukweli, uhuru, kutopendelea, usawa na usahihi*.

Mazingira ya Kiuchumi na Kisiasa

Japo mwaka 2018 ulishuhudia kufufuka kidogo kwa chumi za Afrika Mashariki, hii haijajitokeza kama manufaa yanayohisika kwa kampuni na mwananchi wa kawaida. Kwa mfano, nchini Kenya, mashirika 15 yaliyo kwenye soko la hisa yalitangaza tahadhari ya faida, huku mengine kadhaa yakitangaza kupungua kwa mapato kutokana na mazingira magumu ya kiuchumi. Chumi za ukanda huu ziliendelea kubakia katika hatari ya hali za nje na ndani. Nchi hizi ziliendelea kukabiliana na changamoto kama vile usimamizi mbovu wa rasilmali za umma, kuporomoka kwa mapato ya ndani ya nchi, kupungua kwa njia za kufikia fedha za mtaji, athari mbaya za mabadiliko ya hali ya anga hivyo kuathiri mazao ya kilimo, kuongezeka kwa deni la umma/nchi na kutotabirika kwa hali ya siasa.

Matokeo ya kifedha

Licha ya mazingira magumu ya kibiashara katika eneo hili, Shirika hili lilipata faida nzuri baada ya kutoa ushuru, ya Shs 1.1 bilioni, ambayo ni asilimia 14.7 chini ya faida ya mwaka uliotangulia.

Kupungua huko kwa faida kulitokana na mapato yaliyopungua, ambayo nayo yalishuka kwa asilimia 9.1 – Shs 9.7 bilioni ukilinganisha na Shs 10.6 bilioni zilizopatikana katika mwaka wa 2017.

Migao

Ukizingatia matokeo ya kibiashara katika miaka michache iliyopita, na haja ya kuweka fedha kwa ajili ya uwekezaji katika njia za mapato ya kidijitali katika siku zijazo, pamoja na kupanua wingi wa bidhaa zetu, Wakurugenzi Wakuu wanapendekezea wenyehisa kuidhinisha mgao wa mwisho wa Shs 3.50 (asilimia 140) kwa kila hisa, ambao, pamoja na mgao wa awali wa Shs 1.50 kwa kila hisa (asilimia 60) uliolipwa mnamo tarehe 30 Septemba 2018, unafikisha jumla ya Shs 5.00 kwa kila hisa (asilimia 200) katika mwaka uliokamilika Desemba 31, 2018 (2017: Shs 10.00 kwa kila hisa). Mgao huo utalipwa baada ya kuondoa ushuru wa kushikilia pale patakapohitajika, tarehe au karibu na tarehe 30 Julai 2019, kwa wenyehisa waliojisajili kwenye sajili ya wanachama kufikia saa ya mwisho ya tarehe 14 Juni 2019. Usajili wa wanachama utafungwa kuanzia tarehe 17 hadi 21 Juni 2019, tarehe zote mbili zikijumuishwa.

Bei ya Hisa na Mtaji wa Hisa

Bei ya hisa ya NMG ilipungua kutoka kwa wastani wa Shs 116.0 kufikia mwishoni mwa mwaka uliotangulia na kufunga kwa wastani wa Shs 68.5. Hii ilitokana na kudidimia kwa soko la Hisa la Nairobi (NSE) katika nyanja zote nchini kulikotokana na hasa mazingira magumu ya kuendesha biashara, hali iliyochangia kupungua kwa mapato na mtaji wa kigeni. Mtaji wa Shirika hili sokoni ulikuwa Shs 12.9 bilioni kufikia tarehe 31 Desemba 2018.

Mazingira ya Kibiashara

Mazingira ya kibiashara katika ukanda wa Afrika Mashariki yanaendelea kuwa changamani huku yakitatizwa zaidi na sheria zisizotabirika na wakati mwingine kandamizi. Kubanwa kwa uhuru wa vyombo vya habari kote katika ukanda huu kunabakia kuwa suala linaloendelea ambalo linahofisha sana. Nchini Kenya, vyombo vya habari vilishuhudia kufungwa kwa vituo vinne vya runinga, kikiwemo kituo cha Shirika hili cha *NTV*. Matukio kadhaa ya vitisho, kudhalilishwa, kuvamiwa na kufungwa kwa wanahabari, na mamlaka husika kulifanyika kote katika ukanda huu.

Nchini Tanzania, mwanahabari wa kujitegemea Azory Gwanda, aliyekuwa akifanya kazi na kampuni ya Mwananchi Communications Limited, ameendelea kukosekana kwa zaidi ya mwaka mmoja sasa. Kadhalika, angaa magazeti manne ya Tanzania yamefungwa na serikali katika muda wa miaka miwili iliyopita. Katika muktadha huu, usimamizi mzuri wa kisheria na kisifa unabakia kuwa wenye umuhimu, nasi tunaendelea kujadiliana kwa uzingativu kuhusu sekta hii na serikali ili kulinda uhuru wa vyombo vya habari huku tukidumisha haki ya umma kufahamishwa.

Taarifa ya Mwenyekiti (inaendelea)

Vilevile nchini Tanzania, tumechukua hatua za kimakusudi za kutii Sheria ya Huduma za Vyombo vya Habari ambayo inaamuru umiliki wa kigeni wa biashara ya machapisho ya habari kuwa asilimia 49 na tumempata mwenyehisa anayestahili ambaye yuko tayari kununua asilimia 51 ya hisa za Mwananchi Communications Limited, lakini baada ya kupata idhini ya kisheria ili kukamilisha harakati hiyo ya kibiashara.

Ajenda ya uendelevu

Kujitolea kwa shirika hili katika uendelezaji ni suala lisilokuwa na kifani. Tunaweza kukuza faida zaidi kupitia kwa mbinu ya kushiriki thamani, kuchangia kwa jamii kwa kufanya suluhu za hekima na zinazotumia rasilmali vizuri, kwa ajili ya watu wengi katika jamii tunazohudumu. Katika miaka kadhaa, tumefanikiwa kuunda athari nzuri katika peo mbalimbali za uendelezaji, lakini pia tunatambua kuwa bado tunahitajika kupiga hatua kadhaa ili kufikia malengo yetu endelevu. Lengo letu ni kukitisha NMG kama mshirika bora na endelevu aliye changuo la kwanza.

Uzingativu wetu ni kuimarisha viwango vya elimu katika jamii tunazohudumu kwazo. Hii itahakikisha kuwa NMG inatekeleza wajibu muhimu katika kufikia Malengo Endelevu ya Ustawi ya Umoja wa Mataifa (UN) ya kuhakikisha kuwa pana elimu jumuishi na bora kwa wote na kuimarisha masomo yasiyokatika maishani.

Shirika hili lilivtia wasomaji wachanga kupitia kwa mradi wake wa Magazeti Shuleni yaani *Newspapers in Education* (NiE) ambao ulitekelezwa katika shule 257 (takribani ukuaji maradufu ukilinganishwa na mwaka uliotangulia) na kuwafaa wanafunzi 72,820 kote katika kaunti 31 nchini Kenya. Mradi wa NiE ulizidisha maendeleo na uzinduzi wa *JuniorSpot*, ambalo ni jarida la Jumatatu katika gazeti la *Daily Nation* ambalo huchapisha matini za kuelimisha, kufahamisha na kuburudisha kwa wanafunzi. Ili kufikia lengo lake la kuinua viwango vya elimu kote nchini, NMG iliingia kwenye ushirikiano na mashirika ya Gemina Insurance, Fresha Milk na World Vision.

Nchini Uganda, Shirika hili lilishirikiana na Hazina ya Malipo ya Uzeeni na wadau wengine nchini humo na kukusanya zaidi ya Shs 8.1 milioni katika muda wa miaka mitatu, za kusaidia kuimarisha hali katika shule za umma. Katika muda wa miaka miwili iliyopita mradi huu umekusanya Shs 5.3 milioni zilizotumiwa katika kuimarisha kanisa la Mbuya la Shule ya Msingi ya Uganda na Shule ya Msingi ya St Paul, hali itakayowafaa watoto 1,000 katika eneo la Kinawataka, Mbeya na viunga vyake.

Nchini Tanzania, tulishirikiana na mashirika mengine yenye fikra kama zetu kufanikisha makala ya pili ya Tulia Marathon. Mbio hizi zinalenga kuwapa na kuimarisha matibabu, kinga na nafasi ya wanawake wajawazito kiafya, na elimu ya mtoto msichana, zikiwafaa zaidi ya watu milioni 1.

Sera na Muongozo wa Uhariri/uanahabari

Ujenzi wa sifa thabiti husaidia shirika kuunda na kulinda thamani yake kwa kubuni dafina ya nia njema inayotumiwa katika udumishaji wake. Sifa ya Nation na bidhaa zake ndiyo mali yetu yenye thamani zaidi. Ni kwa msingi huu ambapo mwishoni mwa mwaka wa 2018, shirika hili lilitekeleza Utafiti wa Sifa za Kishirika kote nchini ili kutathmini mitazamo ya wadau wanaostahili kuhusu sifa ya Shirika hili; kutia kwenye kigezo sifa yetu ya shirika ukilinganisha na mashirika mengine makubwa yakiwemo ya vyombo vya habari; na kubaini maeneo maalum ya kuzingatiwa.

Ninaona fahari kuwajuza kwamba utafiti huo uliweka Shirika hili mbele ya mashirika makubwa katika ukanda huu na kwa kiwango cha imani ya wananchi kwetu, tuko juu ya mashirika haya mengine makubwa. Hii ni ithibati ya nguvu ya bidhaa yetu, ambayo hasa inahusishwa na ubora wa uanahabari wetu. Watu hutuamini kutokana na kujitolea kwetu kutimiza ufanisi wa kitaalamu. Wanajua kwamba hatutetereki katika kuchapisha habari na tuna kasi na nia ya kurekebisha kila tunaponoa. Nation itabakia kuzingatia viwango vya juu vya uadilifu wa kiuanahabari na uhuru.

Mabadiliko katika Bodi

Prof. Olive Mugenda na Bw. Thomas Mshindi walistaafu kutoka kwenye bodi katika mwaka huo huku Bw James Montgomery naye akikosa kujitokeza ili kuchaguliwa tena katika Mkutano Mkuu wa Mwaka (AGM) ujao. Tunawashukuru kwa mchango wao madhubuti na uongozi wao kwa Shirika hili na kuwatakia kila la heri katika mipango yao ijayo.

Watu wetu

Mustakabali wa NMG utahakikishiwa tu kwa kuendelea kumakinikia kuipiga msasa desturi yetu ili kukitisha thamani zitakazojaliza safari yetu ya kidijitali. Hii inamaanisha kuwaajiri wafanyakazi vijana wenye ujuzi wa hali ya juu wanaoelewa mahitaji ya kizazi kipya ambao ndio wanaunda sehemu kuu ya wateja wetu, kudumisha wale bora tulionao, huku tukiunda mazingira mazuri wezeshi ya ufanisi wao.

Kutazama mbele

Mazingira ya uanahabari yanayobadilika kwa kasi yanaupa changamoto ufaafu wetu wa kutimiza mahitaji ya wateja wetu. Katika ulimwengu huu wa mabadiliko ya mienendo ya wateja, habari changamani, data kubwa, teknolojia ya kutumia akili zilizoundwa na binadamu na mageuzi ya nne ya kiviwanda, uanahabari unaendelea kupata nafasi isiyowahi kuwepo hapo kabla. Lakini si bora tu uanahabari, muhimu ni uanahabari bora. Mapambano haya yaliyopo, sasa, kuliko hapo awali, yanatoa nafasi murwa ya kutimiza maono yetu na dhamira ya kustawisha jamii kwa kuwasilisha habari za hadhi, za kipekee na zinazofaa kwa njia inayostahili.

Taarifa ya Mwenyekiti (inaendelea)

Bodi hii ina furaha kuu kuona ishara za upanuzi zaidi wa peo kuliko machapisho/habari za kawaida huku njia mpya za mapato zikiendelea kulipa shirika hili thamani. Tumeridhishwa na hali kwamba uongozi una azimio na msukumo wa kuendelea kupambanua Shirika hili kama kampuni ya habari ya kisasa. Kwa msingi huu, uzingativu utakuwa kwa utekelezaji wa mkakati wa kidijitali, ukisisitiza ukuaji na uwekezaji katika siku zijazo ili kukuza biashara yetu ya uanahabari na kuunda thamani mpya.

Kwa niaba ya Bodi, ningependa kuwahakikishia wenyehisa wetu kuwa tunabakia makinifu, kama ilivyoshuhudiwa katika miaka 60 iliyopita, kukiuka changamoto yoyote na kurukia nafasi zitakazolinda uendelevu wa NMG kama chombo cha habari kinachoongoza, kilicho huru na kinachoaminika zaidi katika eneo hili. Katika muktadha huu, Shirika hili litasherehekea miaka 60 kwa mada ya *True & Timeless* yaani Kweli & Isiyopitwa na wakati mada ambayo inaakisi vyema ukwasi wetu turathi na kujitolea kwetu kufaulisha mustakabali endelevu, huku tukijitolea upya kwa mwito wetu wa kuendelea kuwa kielelezo chenye ukweli, kinachoaminika & huru kwa jamii.

Tutabakia kujitolea kwa dhati kufanikisha umoja, ustawi wa kiuchumi na maendeleo kwa watu wa Kenya na eneo la Afrika Mashariki, tukipigania na kutoa sauti thabiti ya Historia ya Afrika, kama Chombo cha Habari cha Afrika kwa mafaa ya Afrika.

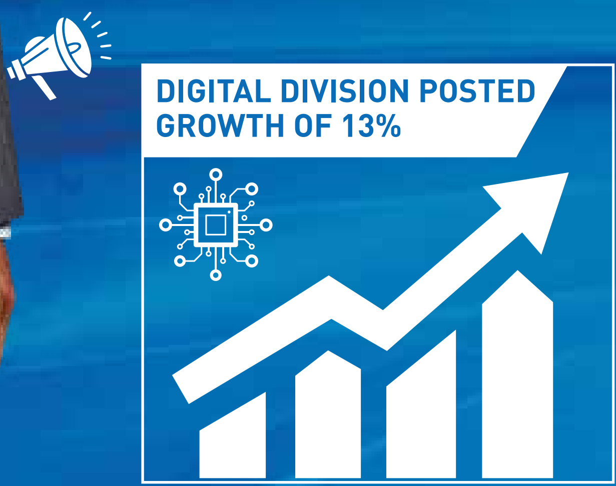
Ninaitwaa fursa hii kumshukuru mwanzilishi wetu Mwadhama Aga Khan kwa msaada na uelekezi wake usiokatika katika miongo sita iliyopita, pia wakurugenzi wakuu wenzangu kwa msaada wao, uelekezi na mashauri mema, pamoja na wasimamizi na wafanyakazi wa NMG kwa kazi yao kuntu. Tamati niruhusuni pia kuwashukuru kwa dhati wenyehisa wetu, washirika wetu wa kibiashara, wateja na wadau wengine kwa msaada wao na imani yao kwetu na katika huduma yetu na kusimama nasi kwa miaka hii yote, katika nyakati ngumu na zile zenye changamoto, kwa ujasiri, kujitolea na bila kukata tamaa. Ninachukua wasaa huu kuwaalika hao wote kuungana nasi katika kusherehekea kumbukumbu yetu ya miaka 60.

Asanteni sana.

Dkt Wilfred D Kiboro
Mwenyekiti


LUGHA YANGU, GAZETI LANGU!
TAIFA LEO
Gazeti langu, lugha yangu
10.409
39.459

Group Chief Executive Officer's Statement



Stephen Gitagama
Group Chief Executive Officer

Group Chief Executive Officer's Statement

The Nation Media Group has much to be proud of as it celebrates the 60th anniversary. The company has grown from a publisher of a single Kiswahili newspaper, Taifa Leo, to become the largest media house in East and Central Africa.

Hence, in celebrating 60 years of transforming society and embrace our unique heritage as an independent media house, we are inspired and are confident that we have the right strategy to successfully navigate the fast changing market place. In today's data-driven world, the pressure to innovate and adopt technology quickly, is much higher. Nation Media Group has taken full advantage of this reality and is well on the way to becoming a digital-first, multi-media company.

The results for the year ended 31 December 2018, were achieved against a background of a challenging business environment across East Africa. In Kenya, the handshake between President Uhuru Kenyatta and Hon. Raila Odinga in March 2018 eased the political uncertainty that had engulfed the country after the acrimonious General Election and repeat presidential poll in 2017. However, economic activity remained largely suppressed due to reduced credit in the market resulting from legislated capping of lending rates and cash flow constraints in the government. Uganda's economy was adversely impacted by steep depreciation of its shilling, while the economy in Tanzania was depressed largely because of government austerity measures. In addition, a hostile and unpredictable media regulatory environment aggravated the difficult business environment. In Kenya, the affront on media freedom culminated in the shutdown of four private television broadcasting stations, including *NTV Kenya*, for one week in February 2018 resulting in business losses. Similarly, the delay in settlement of debt owed by Government adversely impacted business performance.

Despite these challenges, the Group continued to record good progress in our strategic journey of transforming the company into a modern digital content company. We achieved several milestones, most notably, the launch of NMG's music enterprise under the brand *Lit Music,* which has seen a number of upcoming artistes signing up with the label and the roll out of *Lit360* TV show under the label. *NTV Kenya* clinched the right for exclusive free-to-air broadcasting of the 2018 FIFA World Cup tournament that resulted in improved viewership, market share and reach. The station also relaunched with a fresh team and introduced new shows, mostly produced locally, and thereby enriching its local content portfolio.

The Group continued rolling out the Thought Leadership Forums, the latest being in Tanzania through Mwananchi Communications. In line with our digital-first strategy, we commissioned the News Cycle Publishing System that enables us to redefine content, advertising and subscription management and mobile solutions.

The Group expanded its content portfolio with the launch of *JuniorSpot*, which is a *Daily Nation* interactive education product, targeting children. In the last quarter, the Group rolled out *Pishi*-a food and lifestyle content platform, which appeals to a wide range of audiences.

These milestones have led to the recognition of our staff and the organisation as a force to reckon with in East Africa, the continent and beyond. The Group won 24 awards across the region.

Our strength remains quality journalism, which is founded on the values of truth, balance, fairness and accuracy.

Financial Performance

Group profit before tax at Shs 1.6 billion was 16.4 per cent lower than previous year, as a result of declined advertising and circulation volumes. The shortfall in advertising revenue in Kenya was partly attributable to the suspension of the Government Advertising Agency's (GAA) account arising from delay in settlement of outstanding debt.

The Group's turnover declined by 9.1 per cent to Shs 9.7 billion, while profit after tax at Shs 1.1 billion was 14.7 per cent lower than last year. The year had other challenging events such as the payment delays by County Governments.

Business Daily revenue grew by 7 per cent, while *Kenya Buzz* and Digital revenue grew by 131 per cent and 13 per cent respectively. *Spark TV* performance was exceptional with a profit growth of 130 per cent compared to the previous year.

Culture Transformation

We recognise employees as core to our success. Our cultural transformation programme strives to enhance employees' experience and engagement. We focus on attracting, retaining, developing talent and creating a learning culture to ensure employees acquire new knowledge and skills to meet demands of a changed market.

The Group made a couple of changes in its leadership during the year and I am confident that the new management team will drive execution of our strategy.

Group Chief Executive Officer's Statement (continued)

Product Development

A number of digital initiatives were undertaken, including listing 16 Kenyan artistes to the *Lit Music* label. *KenyaBuzz* positioned itself as a preferred event and movie online guide and ticketing manager. The continued efforts around *Nairobi News* resulted in it contributing the largest incremental youthful traffic to the Group. *Instascoop*, a service that delivers short news for mobile, was launched in Tanzania on WhatsApp and is already attracting subscribers. Progressive Web App (PWA) site was implemented for Nation.co.ke android users to improve on the user experience. The above initiatives resulted in a 19 per cent growth of the Group's digital footprint to 37 million users a month. The Group grew its e-paper subscribers by 12 per cent during the year.

Daily Nation undertook several activities to increase value for its advertisers, readers and vendors. Some of these include the *Daily Nation* Leadership campaign, which is a 360-degree campaign that highlighted the value addition that advertisers gain through collaborating and advertising with the number one newspaper. The testimonial campaigns included educational institutions, service industries and manufacturers. *JuniorSpot* increased its readership and copy sales of the Monday edition of the *Daily Nation newspaper* through introduction of exam revision papers for primary schools.

Business Daily provided in-depth coverage and analysis of business news as well as profiling corporate and enterprise news. Native content was one of the main sales drivers in 2018.

The EastAfrican conducted a 360-degree campaign dubbed 'Knows no borders' that was aimed at improving brand awareness and visibility. *The EastAfrican* will be redesigned and the content enriched to appeal to a younger audience to ensure sales and readership growth.

In Uganda, Monitor Publications Limited (MPL) launched a number of new initiatives which included "Rising Woman Programme" aimed at celebrating women in business. MPL also launched an online wedding platform to provide reliable information on tips and advice for people intending to wed or have introduction ceremonies. These initiatives saw an increase in awareness of the brands both online and offline.

Daily Monitor continued its annual Thought Leaders Forum which discusses topical issues that affect Uganda. *Daily Monitor's* farm clinics were extended to five regions across the country and were geared towards empowering farmers with agricultural best practices. The forum attracted more than 350 influential participants in different fields, while the farm clinics benefited more than 8,000 farmers.

NTV Uganda launched new products to grow viewership and also engaged its audiences through its annual Economic Summit. It also conducted a road safety campaign which won the prestigious award for best reputation building initiative in Uganda.

Spark TV on the other hand made a mark on the social scene with a magnificent event dubbed *Spark TV* Mega Fest held at the Uganda Museum to celebrate its fans. The event positioned *Spark TV* as a community entertainment brand and also contributed revenues.

In Rwanda, the *Rwanda Today* website went live, offering cutting-edge and incisive news on current affairs, politics, lifestyle and business.

2019 Strategic Priorities

We are alive to the challenges facing media businesses as our consumers continually shift to the digital-social-mobile platforms. We intend to be relevant in their lives by being a provider of unique, high quality content at their convenience and in their way. We will aggressively grow our audiences in the digital space by providing unique value that keeps them connected and engaged on our platforms.

I strongly believe we will address this challenge by ensuring we are mobile first, deliver quality and differentiated content on multiple platforms. To win in this space, it is critical to be the first with the truth, deliver superior user experience and create products that are relevant to our consumers. In this regard, our commitment is to give our consumers highly desirable content that fits into their worlds, however, wherever and whenever they need it.

The Group will continue to redefine itself as a modern digital content company underpinned by the key pillars of growing content business and creating new value. We will invest in building capacity to generate quality, credible and diverse content. Further, we will focus on innovation by creating an enabling environment for creativity and provide space for experimentation and unconventional thinking.

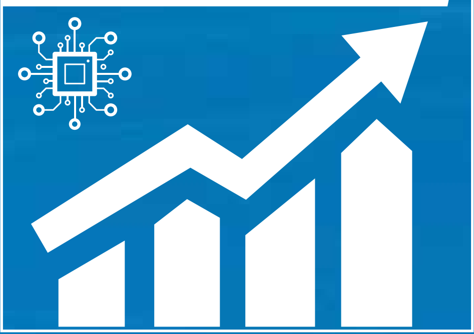
Nation Media Group continues to be well positioned to address the unfolding challenges associated with the digital disruption and remain profitable.
I would like to warmly thank you and our esteemed consumers, employees, partners and shareholders for your unwavering support in making 2018 another encouraging year of progress.

I also wish to extend my sincere gratitude to the Board of Directors for the guidance accorded to management and staff across the region throughout the year. I look forward to your continuing support to deliver on our objectives.

Stephen Gitagama
Group Chief Executive Officer

Ripoti ya Afisa Mkuu Mtendaji wa Shirika

KITENGO CHA DIGITALI KILISHUHUDIA UKUAJI WA 13%



Stephen Gitagama
Ripoti ya Afisa Mkuu Mtendaji wa Shirika

Ripoti ya Afisa Mkuu Mtendaji wa Shirika

Shirika la Nation Media Group lina mengi ya kujivunia linapoadhimisha miaka 60 ya kuwepo kwake. Kampuni hii imekua kutoka kwa mchapishaji wa gazeti moja la Kiswahili, Taifa Leo, hadi ikawa shirika kubwa la habari katika ukanda mzima wa Afrika Mashariki na Kati.

Hivyo basi, katika kusherehekea miaka 60 ya kuleta mabadiliko katika jamii na kukumbatia urithi wetu wa kipekee kama chombo huru cha habari, tunatiwa motisha mbali na kuwa na imani kuwa tuna mkakati unaofaa wa kujiendesha kwa mafanikio katika soko hili linalobadilika. Katika ulimwengu wa sasa unaoendeshwa hasa na data, msukumo wa kubuni na kukumbatia teknolojia kwa haraka, uko juu sana. Nation Media Group imeamua kutumia kwa ukamilifu ukweli huu na iko imara katika mkakati wa kuwa kampuni ya 'dijitali-kwanza' yenye kumbi mseto za habari.

Matokeo ya mwaka uliokamilika tarehe 31 Desemba 2018, yalipatikana katika mazingira magumu ya kibiashara kote katika eneo la Afrika Mashariki. Nchini Kenya, muafaka baina ya Rais Uhuru Kenyatta na Hon. Raila Odinga mnamo Machi 2018 ulipunguza hofu ya kisiasa iliyokuwa imegubika nchi hii baada ya Uchaguzi Mkuu pamoja na marudio ya uchaguzi wa urais wa 2017. Hata hivyo, shughuli za kiuchumi zilisalia hasa kubanwa kutokana na upungufu wa pesa masokoni hasa kutokana na upunguzaji wa viwango vya riba pamoja na ugumu kuvurugika kwa mtiririko wa fedha katika serikali. Uchumi wa Uganda uliathiriwa vibaya na kudorora pakubwa kwa shilingi yake, huku uchumi nchini Tanzania ukibanwa hasa kutokana na hatua za kupunguza matumizi ya serikali. Kadhalika, mazingira dhalimu na yasiyotabirika ya kisheria kwa vyombo vya habari yalizidisha ugumu wa mazingira ya kibiashara. Nchini Kenya, uvurugaji wa uhuru wa vyombo vya habari uliishia katika kufungwa kwa vituo vinne vikuu vya televisheni vya kibinafsi, ikiwemo *NTV Kenya*, kwa juma moja mnamo Februari 2018 na hivyo kusababisha kupotea kwa biashara. Vilevile, kucheleweshwa ulipaji wa deni la serikali kwa vyombo vya habari kuliathiri vibaya matokeo ya kibiashara.

Licha ya changamoto hizi, Shirika hili liliendelea kusajili maendeleo ya kuridhisha katika safari yetu ya kimkakati ya kubadilisha kampuni hii ili iwe kampuni ya kisasa ya habari za kidijitali. Tulipiga hatua kadhaa muhimu, dhahiri ikiwa, uzinduzi wa mradi wa muziki wa NMG chini ya lebo *Lit Music*, ambao umeshuhudia wasanii ibuka kadhaa wakitia saini na lebo hiyo pamoja na uzinduzi wa kipindi cha *Lit360 TV* chini ya lebo hiyo. *NTV Kenya* ilishinda haki za kipekee za kupeperusha kabumbu ya Kombe la Dunia la 2018, hali ambayo ilichangia katika ongezeko la watazamaji, mgao wa wateja pamoja na upeo wa ufikiaji. Kituo hiki pia kilizinduliwa upya pamoja na kikosi kipya na kuanzisha vipindi vipya, hasa vinavyotayarishwa humu nchini, na hivyo basi kuimarisha kitengo chake cha vipindi vya humu nchini.

Shirika hili liliendelea kuzindua Kumbi za Majadiliano ya Viongozi almaarufu Thought Leadership Forums, huku uzinduzi wa hivi majuzi ukiwa Tanzania kupitia kwa Mwananchi Communications. Sambamba na mkakati wetu wa dijitali-kwanza, tulizindua programu ya kompyuta ya News Cycle Publishing System inayotuwezesha kubainisha habari, matangazo na usimamizi wa shughuli za kujisajili kibiashara kwa wateja pamoja na urahisishaji wa shughuli kupitia simu ya rununu.

Shirika hili lilipanua kitengo chake cha habari/makala kwa kuzindua *JuniorSpot*, ambalo ni jarida tangamani la kielimu la *Daily Nation*, linalolenga watoto hasa. Katika robo ya nne ya mwaka, Shirika hili lilizindua *Pishi*, ukumbi wa vyakula na mitindo ya maisha, ambao unavutia hadhira pana.

Mafanikio haya yamechangia katika utambuzi wa wafanyakazi wetu na shirika lenyewe kama jabali la kushindana nalo ndani ya Afrika Mashariki, barani na zaidi. Shirika hili lilishinda tuzo 24 kote katika ukanda huu.

Nguvu zetu zinasalia kuwa uanahabari wa hadhi, ambao unapatikana kwenye msingi wa thamani za ukweli, usawa, kutopendelea na usahihi.

Matokeo ya Kifedha

Faida ya Shirika ya Shs1.6 bilioni kabla ya ushuru ilikuwa chini kwa asilimia 16.4 ikilinganishwa na mwaka uliotangulia, hii ikiwa ni kutokana na kupungua kwa matangazo na usambazaji wa magazeti. Kupungua kwa mapato ya matangazo nchini Kenya kwa kiasi fulani kulihusishwa na usitishaji wa akaunti ya Shirika la Matangazo ya Biashara la Serikali (GAA) kutokana na kuchelewa kulipa madeni liliyodaiwa.

Mapato ya jumla ya shirika yalipungua kwa asilimia 9.1 hadi kufikia Shs 9.7 bilioni, huku faida baada ya ushuru ya Shs 1.1 bilioni ikiwa punguo la asilimia 14.7 ikilinganishwa na mwaka uliotangulia. Mwaka huo pia ulikuwa na shughuli nyinginezo zenye changamoto kama vile malipo ya kuchelewa kutoka kwa serikali za Kaunti.

Mapato ya *Business Daily* yaliimarika kwa asilimia 7 huku mapato ya *Kenya Buzz* na Dijitali yakikua kwa asilimia 131 na asilimia 13 mtawalia. Matokeo ya *Spark TV* yalikuwa ya kipekee ambapo faida yake ilikua kwa asilimia 130 ukilinganisha na mwaka uliotangulia.

Ripoti ya Afisa Mkuu Mtendaji wa Shirika (inaendelea)

Mabadiliko ya Desturi za Kikazi

Tunatambua wafanyakazi kama kiungo muhimu cha mafanikio yetu. Mpango wetu wa ubadilikaji wa kidesturi unajizatiti kustawisha tajriba na shughuli za wafanyakazi. Tunalenga kuvutia na kutunza talanta zinazoibuka na kuunda desturi ya kusoma ili kuhakikisha kwamba wafanyakazi wanapata maarifa mapya na ueledi unaowawezesha kukidhi matakwa ya mabadiliko yanayojitokeza kwenye soko.

Kampuni imefanya mabadiliko kadhaa katika uongozi wake mwaka huu na nina imani kwamba waliochukua uongozi mpya wataendesha mikakati yetu.

Ubunaji wa bidhaaa

Mikakati kadhaa ya kidijitali ilibuniwa ikiwemo usajili wa wasanii 16 wa Kenya katika lebo ya *Lit Music*. *Kenya Buzz* iliibuka kama muongozo wa hafla na filamu mitandaoni na pia kama meneja wa kiingilio katika hafla hizo. Juhudi zinazoendelea kuwekwa kuhusu *Nairobi News* zilichangia pakubwa katika kuvutia wasomaji wengi vijana kwa Shirika. *Instascoop* ambayo ni huduma inayosambaza habari fupifupi za simu ilizinduliwa nchini Tanzania kwenye WhatsApp na tayari inavutia wateja.

Mtandao wa Progressive Web App (PWA) ulianzishwa kwa watumiaji wa wavuti ya Nation.co.ke, kwa wenye simu za android, ili kuzidisha wepesi wa watumiaji. Mikakati iliyotajwa hapo juu ilichangia katika ongezeko la asilimia 19 la watumizi wa kidijitali wa Shirika hili hadi kufikia watumiaji milioni 37 kwa mwezi. Shirika hili liliongeza watumiaji wa majarida yake ya mtandaoni kwa asilimia 12 katika mwaka huo.

Daily Nation ilifanya shughuli kadhaa ili kuongeza thamani kwa wateja wake wa matangazo ya biashara, wasomaji wake na wauzaji magezeti wake. Baadhi ya shughuli hizo ni kampeni ya kiuongozi ya *Daily Nation* Leadership Campain, ambayo ni kampeni yenye dira zote 360, ambayo ilipambanua thamani zaidi ambayo wateja wa matangazo ya kibiashara hupata kupitia kushirikiana na kutangaza na gazeti hili nambari moja. Kampeni za ushuhuda zilishirikisha taasisi za elimu, mashirika ya kutoa huduma na watengenezaji bidhaa. *JuniorSpot* iliongeza wasomaji wake na uuzaji wa magazeti ya Jumatatu ya *Daily Nation* kupitia kwa kuanzisha karatasi za kudurusu za mitihani kwa shule za msingi.

Business Daily ilitoa taarifa za undani na uchanganuzi wa habari za biashara na pia kuangazia mashirika na kampuni. Matangazo ya kibiashara yanayochukua mkondo wa habari za kawaida yalichangia sana uuzaji mkubwa katika mwaka wa 2018.

The East African ilifanya kampeni ya dira zote 360 kwa jina Knows no Borders ikilenga kuongeza mwonekano na kutambuliwa kwake. Gazeti hili litakarabatiwa kimuonekano na taarifa kunogeshwa ili kuvutia hadhira ya vijana na kuhakikisha usomaji wake na mauzo yanapanuka.

Nchini Uganda, Monitor Communication Limited (MCL) ilizindua mikakati kadhaa mipya ikiwemo mpango wa Rising Women Programme unaopania kuwasherehekea wanawake kwenye biashara. MCL pia ilizindua jukwaa la sherehe za harusi mtandaoni lenye dhima ya kutoa habari za kuaminika kuhusu vidokezo na ushauri kwa watu ambao wanapanga kufanya harusi ama sherehe za utambulisho. Mkakati huu uliongeza kutambuliwa kwa huduma hii mtandaoni na hata nje ya mtandao.

Daily Monitor iliendelea na ukumbi wake wa kila mwaka wa kubadilishana mawazo maarufu kama Thought Leadership Forum, ambao hutoa jukwaa la kujadili masuala mbalimbali yanayoathiri Uganda. Hafla za Ushauri kuhusu Kilimo, katika *Daily Monitor*, yalienezwa hadi kufikia kanda tano kote nchini Uganda, dhamira yake ikiwa kuwapa wakulima mbinu bora za kilimo. Jukwaa hili lilivutia watu 350 wenye ushawishi katika nyanja mbalimbali, huku ushauri wa kilimo ikiwafaa zaidi ya wakulima 8000

NTV Uganda ilizindua huduma mpya ili kuzidisha watazamaji wake na pia kushirikisha hadhira yake katika Kongamano la kila Mwaka la Kiuchumi. Pia ilifanya kampeni ya usalama barabarani ambayo ilishinda tuzo ya hadhi katika juhudi za kujenga sifa bora nchini Uganda.

Aidha, *Spark TV* iliacha athari katika jamii kwa hafla ya kufana maarufu kama *Spark TV* Mega Fest iliyofanyika katika Makavazi ya Uganda ili kusherehekea mashabiki wake. Hafla hii iliakisi *Spark TV* kama kituo cha kuburudisha jamii mbali na kuchangia katika mapato.

Nchini Rwanda, tovuti ya *Rwanda Today* ilizinduliwa, huku ikitoa habari za kisasa na zenye uketo zaidi kuhusu masuala ibuka, siasa, mtindo wa maisha na biashara.

Masuala Muhimu ya Kimkakati katika Mwaka wa 2019

Tunatambua fika changamoto zinazokumba biashara ya vyombo vya habari kwani wateja wetu wanaendelea kutorokea kwenye majukwaa ya kidijitali-mitandao ya kijamii na rununu. Tunapania kuwafaa katika maisha yao kwa kutoa habari

Ripoti ya Afisa Mkuu Mtendaji wa Shirika (inaendelea)

za kipekee, ubora wa juu kama wanavyopenda na kwa njia wazipendazo. Tutajitahidi zaidi kuongeza hadhira yetu katika mawanda ya kidijitali kwa kutoa huduma zenye thamani ya kipekee zinazowavutia katika majukwaa yetu.

Nina imani ya dhati kwamba tutasuluhisha changamoto hii kwa kuhakikisha kwamba tunasambaza habari za rununu kwanza, na kusambaza habari za hadhi ya juu na kipekee kwenye kumbi zetu mbalimbali. Ili kufaulu katika hili, ni muhimu kuwa mbele katika kusema ukweli, kumrahisishia mtumizi ufikiaji huduma zetu na kubuni huduma zinazostahili wateja wetu. Kwa msingi huo, azma yetu ni kuwapa wateja wetu habari ambazo zinakidhi pakubwa shauku yao na zinazolingana na muono-ulimwengu wao, popote pale walipo na wakati wowote ule.

Shirika hili litaendelea kujibainisha upya kama kampuni ya kisasa ya habari za kidijitali, inayojikita katika dhamira ya kukuza biashara ya habari na kuleta thamani mpya. Tutawekeza katika kuimarisha uwezo ili kufaulisha habari zenye ubora wa juu, zinazoaminika na pana. Kadhalika, tutazingatia ubunifu kwa kuunda mazingira wezeshi ya ubunifu na kutoa nafasi ya majaribio na mawazo yasiyobanwa.

Shirika la Nation Media liko katika nafasi nzuri ya kukabiliana na changamoto ibuka zinazohusiana na mvurugo wa kidijitali huku likisalia lenye faida.

Ningependa kuwashukuru kwa dhati pamoja na wateja wetu wapendwa, wafanyakazi, washirika na wenyehisa kwa mchango wenu usiotetereka katika kufanya 2018 kuwa mwaka wa kutia moyo na mafanikio.

Ningependaa pia kutoa shukrani zangu za dhati kwa Bodi ya Wakurugenzi Wakuu kwa uelekezi wao kwa wasimamizi na wafanyakazi katika ukanda wote mzima mwaka wote. Ninataraji kuendelea kuokea usaidizi wenu ili kutimiza malengo yetu.

Stephen Gitagama
Mkurugenzi Mkuu Mtendaji

Nation Media Group
Media of Africa for Africa

True & Timeless

THERE WHEN KENYA'S BELOVED FOUNDING FATHER DIED

AUG. 22, 1978

THERE WHATEVER THE FUTURE HOLDS

Along Juja Road, a charcoal seller refills his dented tin cans. Across the road, children, on their August holidays, kick about their polythene ball. Nobody notices the black hearse from Kenya Air Force base gliding by. Escorted by the Mercedes Benz convoy with plates covered. At 1pm, VOK plays its signature martial tune over and over and over. No 1 o'clock news. At 3pm, VOK plays the national anthem. Norbert Okare and Hassan Mazoa announce the death of President Kenyatta. The *Daily Nation* special edition reads – Mzee is dead. Offices close. Business stops. Bars empty. People head home. Nobody can imagine how Kenya will be without Kenyatta.

Sustainability Report

Our focus as a Group, is to improve the literacy levels in the communities where we operate. This will ensure that NMG plays a crucial role in achieving the United Nations (UN) Sustainable Development Goal 4, of ensuring inclusive and quality education for all and to promote lifelong learning.

SUSTAINABLE DEVELOPMENT GOALS

We have also aligned ourselves to other key pillars within which we seek to have impact. These include Health, Environment and Community Sponsorships.

As a Group, we have a social and journalistic responsibility, especially against the background of the current challenges faced across the region. Social networks have led to a fundamental change in how information is handled.

However, information processes need coordination and guidance and must not be controlled by algorithms alone. Therefore, it is the duty of media companies to take on a greater role in this task, which is so important for our free society with its diversity of opinion. As a Group, our journalists are guided by our editorial objective, which is to maintain the highest professional and ethical standards. It is founded on the individual's fundamental right to be informed and to freely receive and disseminate information.

Our sustainability approaches have had the following impact;

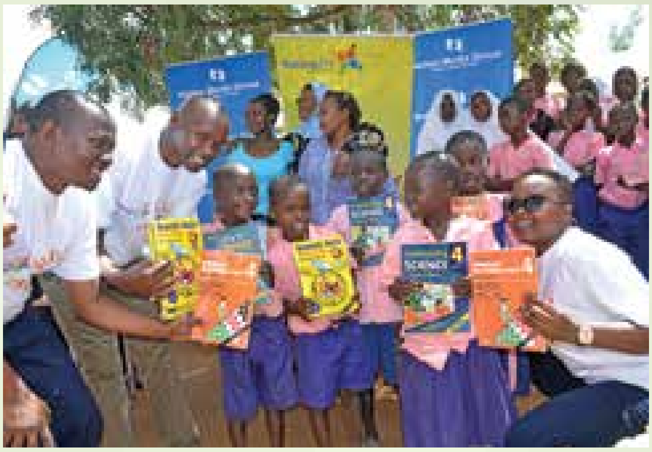
EDUCATION

Mandera County Governor H.E Ali Roba & NMG Group CEO Stephen Gitagama present assorted learning materials to Karomey Primary School and Rhamu Girls Secondary School in Mandera County.

Kenya

The Group continued its education programme, through textbook donations to schools in various counties. The programme is undertaken in consultation and partnership with a broad range of stakeholders including, the Government of Kenya, development partners and independent bodies. In 2018, we distributed books to Karomey Primary School and Rhamu Girls Secondary School in Mandera County, Got Rembo Primary School in Siaya County and Shika Adabu Primary School in Mombasa County. These donations benefited more than 3,000 pupils.

The initiative Newspapers in Education, has impacted a total of 72,820 pupils across 31 counties in Kenya. These counties include Narok, Bomet, Nairobi, Muranga, Nyeri , Kiambu, Meru, Tharaka Nithi, Embu, Isiolo, Machakos, Makueni, Kitui, Kakamega, Kisii, Homabay, Kisumu, Bungoma, Busia, Taita Taveta, Mombasa, Kilifi, Nakuru, Kericho, Naivasha, Eldoret, Trans Nzoia, Turkana and West Pokot. The schools under the NiE program increased by nearly double, from 152 schools in 2017 to 257 schools in 2018. The initiative led to the launch of *JuniorSpot*, a Monday *Daily Nation* pullout that presents educative and entertaining material to school children. To help achieve its objective of boosting literacy levels across the country, *Juniorspot* partnered with other like-minded organisations such as Geminia Insurance, Fresha Milk and World Vision.



NMG team donates books to Shika Adabu Primary School in Mombasa

Sustainability Report (continued)

Uganda
Monitor Publications Limited (MPL) and National Social Security Fund collaborated with key stakeholders in Uganda, with a target to raise over Shs 8.1 million in a period of 3 years to improve the learning conditions in public schools. Within two years, the initiative has raised Shs 5.3 million that will be used to renovate Mbuya Church of Uganda Primary School and St. Paul Primary School. This will impact over 1,000 pupils around Kinawataka in Mbeya and the surrounding areas. MPL offered a media partnership worth Shs 0.8 million to support the programme.

HEALTH

Monitor Publications Managing Director Tony Glencross hands over assorted items to cancer patients at Kiota Kona - a patients shelter at Kawempe

Uganda
During the Breast Cancer Awareness month in October 2018, MPL donated mattresses, mosquito nets and blankets to Kiota Kona home for cancer patients in Kawempe. MPL has been running a Cancer Awareness campaign since 2015, in a bid to educate the public on cancer awareness and management through treatment.

Mwananchi Publications team led by Managing Director Francis Nanai at the second edition of the Tulia Marathon

Tanzania
Mwananchi Communications Limited (MCL) sponsored the second edition of the Tulia Marathon. This marathon is geared towards providing and promoting care, protection and opportunities for maternal health and the girl child education.

ENVIRONMENT

The Group adheres to standards specified by the National Environmental Management Authority (NEMA) as concerns the impact of its operations and constantly strives to raise the awareness amongst our staff, clients, and the public on environmental conservation issues.

Processes in our operations that may have adverse impact on the environment are adequately mitigated. Mitigating interventions include developing and improving operations and technologies to minimize waste, prevent air, water, and other pollution to minimize health and safety risks and disposal of waste materials safely and responsibly.

The Group is determined to create a higher quality of life for the public and support realization of progress within the communities in which we operate.

Sustainability Report (continued)

7 AFFORDABLE AND CLEAN ENERGY

ENERGY USE | GROUP SAVING **2.5 PERCENT** » TRANSLATING TO **29,762 KWH**

Our operations use a variety of energy sources, including electricity from the national grid, diesel generation and renewable energy (solar) solutions. The design of the printing plant engenders efficient use of resources, promotes sustainable use of energy and contributes to the reduction of carbon emissions. The printing press applies a hybrid approach of clean renewable energy and traditional energy to mitigate environmental degradation. Implementation of energy saving measures, has resulted in the Group saving 2.5 percent in power costs translating to 29,762 Kwh. It is in this respect that the Group was recognised during the 14th Energy Management Awards organized by the Kenya Association of Manufacturers (KAM), for its energy conservation efforts.

Our scale of operation continues to vary in size and volume every year and so continued efforts in attainment of energy efficiency remains top priority. One way we manage this ambition is by reducing the amount of energy consumed by deploying more energy-efficient technologies and alternative energy solutions, and continuously measuring our performance.

7 AFFORDABLE AND CLEAN ENERGY

WASTE MANAGEMENT | CONSUMPTION WAS **10% LOWER**

Our waste management process ensures that waste generated from our operations does not negatively affect the environment. Newsprint being the single largest raw material in our operations is a key input that is constantly monitored. In 2018 total newsprint consumption was 10% lower vis-à-vis 2017 consumption and this was partly due to efficient newsprint waste management during production.

Disposal of waste from operations conforms to National Environmental Management Authority (NEMA) requirements, and is undertaken by NEMA certified entities. The company recognizes it has the duty of care to ensure hazardous waste is segregated from non-hazardous waste prior to disposal.

Risk management

Our environmental risk management approach, is to use the annual audits as inputs to determine what environmental risks exist and then determine how to manage those risks, in a way that is best suited to protect human health and the environment.

NMG reviews its environmental protection performance against both external and internal requirements, and takes prompt and decisive action when any issues are identified. Every year, we engage qualified external third parties to complete a comprehensive independent environmental audit, fire safety audit, occupational safety and health audit, and risk assessment especially for our printing operations. These audits include management and tracking of consumption data, identification of significant energy uses, and demonstrating progress against the Group's energy and environment conservation goal. Energy audits are also carried out every 3 years and the results of the audits are used as inputs for the overall environmental management plan.

Sustainability Report (continued)

COMMUNITY SPONSORSHIPS

Uganda

The Kingdom of Busoga in partnership with MPL, spearheaded a clean and safe water drive campaign in the Busoga region. The purpose of the campaign was to raise money, which was used to provide clean and safe water to all the 11 chiefdoms of the Busoga Kingdom, starting with 110 schools within the various chiefdoms. This initiative has positively impacted over 1 million people in the different chiefdoms. The event took place at the Kyabazinga' s palace in Bugembe Jinja district, which brought together various dignitaries from all over the country, to support a worthy cause, in honor of the Kyabazinga' s thirtieth birthday.

During the Mother's Day celebrations in 2018, Dembe FM together with other partners including AAR Health Care, UMC Victoria Hospital Alive Medical Service and Aga Khan Profam, organized the 3rd Mama Wange health camp. The camp offered services such as breast and cervical cancer screening, full body , dental and eye checks. Over 1,200 people were screened and treated during the camp.

HUMAN CAPITAL

We recognize employee experience, as a core element of our success. Our culture strives to enhance employee experience and engagement. We focus on continuously enhancing our digital tools and investing in modern working environments. We actively encourage our employees to embrace a 'Learning as a Lifestyle' mindset, with initiatives and tools enabling everyone to keep up with the new innovations and to acquire new knowledge and skills. Knowledge sharing is also accelerated through active, cross-functional teamwork, and we continue on this path in 2019. We devote a lot of resources and focus to internal training to make our employees even better equipped and enhance the quality of our team. Training, innovation, knowledge sharing and sustainability efforts, make us increasingly attractive as an employer of choice, to both current and future employees.

Corporate Culture Values and Change Program

As a Group, we acknowledge that the corporate culture is a key success factor to strategy implementation. Consequently, we have ensured alignment of culture values in all our markets and embraced change and management of change, as we prepare the Group to transform to a modern digital first company.

Change management activities in Kenya has been centered on training management staff on leading and managing change. The objective of the training was to plan and discuss how to transform NMG from a legacy media organization, to a 21st century digital media company by developing new ways of conducting the business. The training centred on practical application of the five corporate values of 'Continuous Improvement and Innovation', 'Consumer Focus', 'We are a Team', 'Integrity and Trust' and 'Drive for Performance'. 568 permanent employees across various management levels, were successfully trained through the change management workshops, conducted throughout the year.

Training

Inhouse Training

The Group conducted a number of internal trainings for the staff in areas that were considered strategic, in a bid to keep the staff up-to-date with the current digital world the sales teams in MPL and Africa Broadcasting Uganda Limited, were trained on digital sales to help them work more effectively and efficiently. 60 staff members in MPL received Digital Journalism Training facilitated by Code for Uganda and 130 staff members in MPL and NTVU received training through the 'Sales Academy' program facilitated by the advertising department. 11 MCL journalists were trained in Criteria for Quality for Media and 120 staff members in Kenya were trained in innovation to help staff embrace and be part of the Group's strategy.

External Training

Two Executive team leaders were nominated for the Fast Forward Leadership programme, which is a programme, about building wisdom in business leaders: developing the deep insights and acute judgement that separates great leadership from the merely humdrum. In this programme, nominees from NMG, joined other leaders from other organizations to share uplifting experiential ideas on leadership.

The staff also received training in Big Data, to facilitate the business in creating value for its customers and for its operations. A total of 14 Data Lab project team members attended the training.

NMG worked together with Strathmore Business School in developing the management talent pipeline, where some senior managers and middle level managers undertook a year-long modular programmes of Senior Manager's Leadership Programme (SMLP) and Program for Management Development (PMD), which entailed learning through quality case studies and exposure to leading business schools in Malaysia/Singapore and South Africa, respectively.

Through partnerships with the Aga Khan University Graduate School of Media and Communications, journalists were trained in 'Video Storytelling', 'Leadership for the 21st

Sustainability Report (continued)

Century' (a partnership with Harvard University), 'Native Advertising', 'Day 2 Journalism' and 'Audience Development'. Business Managers and Team Leaders in advertising from Kenya, Uganda and Tanzania were trained in 'Leadership & Management' by Strathmore Business School.

Business journalists from the *Business Daily* and *NTV* received 'Financial Journalism skills' training, conducted by a consultant to improve the business reporting skills.

In Tanzania, the journalists received training in specialized areas such as 'Extractive Industry knowledge' offered by NRGI of Africa & GIZ, Ghana; 'Mining, Oil and Gas' offered by Oxford University, UK; 'Investigative Journalism' offered by Wits University, South Africa, urban development, and data journalism training through Rosa Luxemburg Foundation, Johannesburg and Rhodes University in South Africa, respectively.

AWARDS AND RECOGNITION

The Group and the staff continued to receive a number of international, regional and local awards. This was in recognition of the exemplary work and the stellar performance of our staff.

International Awards

Kenya, Uganda and Tanzania

The following individuals and teams were recognized internationally:-

- **Doreen Magak** - winner of the 2018 Merck Foundation "More Than a Mother" Media Recognition Award.
- **Brian Okinda** - winner of OFAB Africa Media Awards-Print & Online Category.
- **Bernard Rotich** recognized by IAAF as Upcoming Journalists in athletics.
- **Zeynab Wandati**- recognized as Best Conservation Agriculture Journalist – awarded by African Conservation Tillage Network.
- **Joseph Kato** - Monitor Publication Limited, awarded by UNFPA- for story on Child Abuse
- **Tumaini Msowoya** – Mwananchi Communications Limited, Overall winner for Children Reporting - awarded by UNICEF and Tanzania Editors Forum.
- Nation Media Group digital team was awarded for the Nation **Messenger/Facebook Bot** which was developed internally by the NMG Digital team – 'Best Idea to grow Digital readership' at the INMA Global Media Awards.
- Nation Media Group digital team - **Data Creativity Awards 2018** for developing the "Deadly Force Database" which highlighted the Police killings in Kenya from 2015 to date.
- Nation Media Group digital team was recognized by **WAN-IFRA** during the **Africa Digital Media Awards 2018** for having the best digital media campaign including in social media engagement (Lit360) and best in lifestyle, entertainment, sports website (Nairobi News).

Local Awards

Kenya

Annual Journalism Excellence Awards 2018 (AJEA)

- Business Reporting Category
- Cameraperson of the year
- Development Reporting Category
- Environment Reporting Category
- Business Reporting Category in TV and Print
- Good Governance Award in TV and Print

Uganda (MPL & NTVU)

- Best Science Communicator award
- Uganda Press Photo awards
- Humorous news concept & Male Anchor of the year- Media Challenge
- Best Female News Anchor(Ruth Nankabiriwa award)
- Online category award -National Population Council Uganda
- Best News Anchor- Media Challenge Awards

Tanzania

Excellence in Journalism Awards Tanzania (EJAT) in 2018

- Education
- Health Reporting
- Best Photographer
- Sports News and Culture


LIT 360
HD
REC
00:00:00
IT'S TIME TO GET IT LIT
True and timeless

Nation Media Group
Media of Africa for Africa

True & Timeless

JUL. 7, 1990

THERE AS FORD DEMANDED FOR MULTI-PARTY POLITICS AND A STOP TO HUMAN RIGHTS ABUSES

THERE WHATEVER THE FUTURE HOLDS

Saba Saba was banned. Cold. Empty. Like the sloped Kamukunji Grounds. Only the claps of flying pigeons echoed as they circled the grey sky and landed on sun-dulled tin roofs of the nearby Majengo slum. The local mad man was nowhere. Riot police, guns, teargas, everywhere. Empty lorries ready to load protestors. Days earlier, opposition leaders were arrested and detained. Months earlier, even Foreign Affairs Minister Robert Ouko was murdered. Who was safe? So as the rickety pick-up ferried the remaining FORD leaders to Kamukunji, flashing the two-finger multi-party salute, it was suicidal. They never came close. In a cloud of teargas, and a hail of bullets, they were pursued and arrested. Their defiance ushered the era of democracy as the Sunday Nation would show.

Board of Directors / Halmashauri ya Wakurugenzi

W D Kiboro	Chairman (Kenyan)	Mwenyekiti (Mkenya)
S Gitagama	Group Chief Executive Officer (Kenyan)	Afisa Mkuu Mtendaji (Mkenya)
D Aluanga	(Kenyan)	(Mkenya)
S Dunbar-Johnson	(British)	(Mwingereza)
L Huebner	(American)	(Muamerikani)
Y Jetha	(British)	(Mwingereza)
S Kagugube	(Ugandan)	(Muganda)
J Montgomery	(British)	(Mwingereza)
O Mugenda	(Kenyan) Resigned 31 December 2018	(Mkenya) Alijiuzulu 31 Decemba 2018
T Mshindi	(Kenyan) Resigned 31 December 2018	(Mkenya) Alijiuzulu 31 Decemba 2018
W Mwangi	(Kenyan)	(Mkenya)
L Mususa	(Tanzanian)	(Mtanzania)
F O Okello	(Kenyan)	(Mkenya)
L Otieno	(Kenyan)	(Mkenya)
A Poonawala	(Swiss)	(Muswiss)
R Tobiko	(Kenyan) Appointed 1 March 2019	(Mkenya) Alieteuliwa 1 Marchi 2019
J C Kinyua	Secretary (Kenyan)	Katibu (Mkenya)
J Muganda	Chief Executive Officer/ Managing Director (Kenyan) Resigned 31 January 2018	Mrasimu mkuu/ Msimamizi (Mkenya) Alijiuzulu 31 Januari 2018

Board of Directors Profiles

Chairman
Dr. Wilfred D. Kiboro

Dr. Wilfred Kiboro (74) 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. Stephen Gitagama (52) 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 Chief Executive Officer 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 and the Editorial Committees.

Group Chief Executive Officer
Mr. Stephen Gitagama

Director
Mr. Dennis Aluanga

Mr. Dennis Aluanga (51) 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 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 Dunbar-Johnson (56) is a graduate of Worth School and Kent University in the United Kingdom. He has attended an Executive Management program at the Wharton School, University of Pennsylvania (USA) and has undertaken the Sulzberger program at the Colombia School of Journalism (USA). He is the President, International of the New York Times Company and is responsible for the oversight and strategic development of the company's international digital and print business. Previously, he was the Publisher of the International Herald Tribune. He was appointed to the Board in April 2018 and is a member of the Strategy and Investments Committee.

Director
Mr. Stephen Dunbar-Johnson

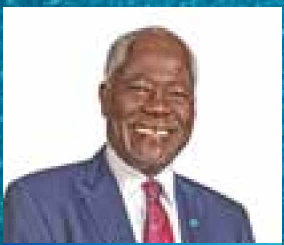
Board of Directors Profiles (continued)

Director
Prof. Lee Huebner

Prof. Lee Huebner (78) 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.

Dr. Yasmin Jetha (66) holds a masters degree in Management Science from Imperial College (London), and is a Fellow of the Chartered Institute of Management Accountants. She was awarded an honorary Doctor of Laws degree by the University of Leicester in 2005, and was made an honorary Fellow of the University of Bedfordshire in 2011. She is currently a non-executive director of The Royal Bank of Scotland and also Guardian Media Group in the United Kingdom. During her executive career, she was the Chief Information Officer at Bupa and prior to that Chief Operating Officer at the Financial Times. Dr. Jetha joined the board in September 2009 as an independent non-executive director and is the Chairman of the Human Resources and Remuneration Committee, and a member of the Strategy and Investments Committee.

Director
Dr. Yasmin Jetha



Director
Dr. Simon Kagugube

Dr. Simon Kagugube (63) 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.

Mr. James Montgomery (53) holds a Bachelor of Arts in Politics and Philosophy (Hons) from the University of Durham (UK). He is the director of digital development at BBC News which publishes one of the worlds 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.

Director
Mr. James Montgomery

Board of Directors Profiles (continued)

Director
Mr. Wangethi Mwangi

Mr. Wangethi Mwangi (62) holds a Masters of Business Administration in Strategic Management from Strathmore University and a Bachelor of Arts in Literature in English and Political Science from the University of Nairobi, a Post Graduate Diploma in Mass Commincation and a Certificate in professional mediation. He is a media professional with more than 30 years experience in journalism. He previously worked for NMG rising to the position of Editorial Director. He is currently serving as a senior advisor to the African Media Initiative, a Pan African organization, which seeks to strengthen the media section to support National and Continental efforts to achieve economic growth, democratic governance and social developments. He is a member of the Media Complaints Commission of Kenya. Mr. Mwangi was appointed to the board as a non-executive director in July 2017 and is a member of the Editorial Committee.

Mr. Leonard Mususa (65) is a Fellow of the Association of Chartered Certified Accountants (UK) 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 and 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.

Director
Mr. Leonard Mususa

Director
Mr. Francis Okomo Okello

Mr. Francis Okomo Okello (68) 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. Louis Otieno (54) holds a Masters of Business Administration from Long Island University and a Bachelor of Science from Mercy College (USA). He is a software developer by training. Mr. Otieno began his professional career in the USA, rising to the position of Assistant Vice President at EEC Financial Services in New York. He joined Microsoft in 1997 and was the Director in the Middle East and Africa team responsible for Corporate Affairs with Microsoft 4 Africa. Mr. Otieno promotes innovations such as the use of white spaces to provide high speed, affordable broadband connectivity in the unserved rural areas. He is a non executive director at Barclays Bank Kenya Limited. Mr. Otieno was appointed to the board as an independent non- executive directors in July 2017 and is a member of the Human Resources and Remuneration and the Strategic and Investments Committees.

Director
Mr. Louis Otieno

Board of Directors Profiles (continued)

Mr. Anwar Poonawala (72) 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.

Director
Mr. Anwar Poonawala

Group Finance Director
Mr. Richard Tobiko

Mr. Richard Tobiko (45) holds an MBA from Warwick Business School, University of Warwick (UK) and a Bachelor of Commerce (Accounting Option) degree from the University of Nairobi. He is a Certified Public Accountant of Kenya. He has previously worked with several local, regional and global organisations in the manufacturing and services sector; most notably KETRACO where he was General Manager, Finance and Strategy and General Electic (GE) as Centre leader in charge of Sub Sahara Africa business services hub. He was appointed Group Finance Director in October 2018 and joined the Board as an Executive Director on 1 March 2019.

Mr. James Kinyua (55) (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.

Secretary
Mr. James Kinyua

Report of the Directors

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of Nation Media Group PLC (the "Company") and its subsidiaries (together the "Group")

Principal Activities

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

Business Review

Political stability in Kenya following the handshake in March 2018 put a stop to the turbulence experienced after repeat presidential elections but economic activities remained largely suppressed. Kenya's economy grew by 6.3 pecent in 2018, driven by eased political uncertainties, improved business confidence and strong remittance inflows. However, the cap on commercial bank's lending rates continued to restrict credit growth to the private sector. Uganda's economy was adversely impacted by the depreciation of the Uganda Shilling and in Tanzania, the economy was depressed largely as a result of Government austerity measures. A number of listed companies on the Nairobi Securities Exchange have issued profit warnings, while others have reported reduced earnings as a result of the tough business environment.

The Group's profit afer tax declined compared with the previous year. The Group's turnover declined by 9.1 percent to Shs 9.7 billion, while profit after tax at Shs 1.1 billion was 14.7 percent lower than prior year resulting from lower advertising and circulation volumes. The revenue was affected by the shutdown of *NTV Kenya* earlier in the year and suspension of advertising services for some key accounts owing to overdue debts. This was however cushioned by revenue from new business such as *Kenya Buzz*, *Lit Music* and *Spark TV* in addition to cost management initiatives. Management has continued to focus on developing new revenue streams to mitigate the decline in print media, re-organising the sales teams to meet customer needs, reducing the incidences of bad and doubtful debt and cost reduction in operations.

The results of the Group for the year are set out in the Group statement of comprehensive income on page 66.

Key Performance Indicators

	2018 Shs m	2017 Shs m	2016 Shs m	2015 Shs m	2014 Shs m
Performance					
Revenue	9,660.6	10,624.9	11,324.8	12,339.5	13,351.3
Profit before income tax	1,634.0	1,954.6	2,460.0	2,823.2	3,624.0
Total comprehensive income for the year	1,056.7	1,350.9	1,634.7	2.071.1	2,410.2
Financial position					
Non-current assets	4,770.0	5,009.2	5,010.8	5,171.8	4,569.3
Net current assets	3,137.6	3,190.4	3,707.3	3,933.8	4,256.7
Non-current liabilities	(30.0)	(33.3)	(15.2)	(151.9)	(57.9)
Non-controlling interest	(56.7)	(51.0)	(47.0)	(48.4)	(53.9)
Equity holders funds	7,820.9	8,115.3	8,655.9	8,905.3	8,714.2
Profit before tax as a percentage of revenue (%)	16.91	18.40	21.72	22.88	27.14
Earnings per share (Shs)	5.90	6.92	8.94	11.79	13.07
Dividends per share (Shs)	5.00	10.00	10.00	10.00	10.00
Dividends cover (times)	1.18	0.69	0.89	1.18	1.31
Capital expenditure	276.9	417.6	370.8	1,525.9	1,003.9

Report of the Directors (continued)

Principal Risks And Mitigating Strategies

The Group's principal risks are set out below. These risks have been assessed considering their potential impact and likelihood of occurrence, and the resultant residual risk based on management controls and actions put in place to mitigate the residual risk.

PRINCIPAL RISKS	MITIGATING STRATEGIES
1. Reputation risk Damage to NMG's reputation as a result of actions, behaviour or performance that falls short of stakeholder expectations.	• Improved consumer service training for staff. • Create awareness among staff on NMG's key reputational risks. • A "Ready for Regulation" strategy to ensure compliance with regulatory issues. • Develop an escalation matrix within the Group for escalating reputational issues. • Improve the editorial gatekeeping function and compliance with editorial policy. • Develop a communication protocol for the Group including a social media policy. • Continuous scanning of the social media and responding appropriately. • Robust stakeholder management.
2. Concentration risk Heavy reliance on print media and circulation revenue as the primary source of revenue.	• Exploring new revenue streams. • Fully entrenching the digital/mobile first digital model and embedding the digital culture in the organization. • Focus on developing or acquiring unique, relevant content.
3. Litigation risk Defamatory content/information/ message about an individual or company by Nation Media Group PLC exposes the company to increased legal suits from persons impacted by the Group's content.	• Establishing and implementing robust internal controls within the company to prevent such occurrences. • Putting in place disciplinary measures for offenders. • Enforcing strict adherence of the editorial policy. • Proactive training of staff on new media laws and regulations to comply without compromising product quality. • Robust management of legal cases.
4. Default risk Failure of a counterparty to a financial transaction to fulfill its financial obligation to Nation Media Group PLC.	• Strict credit control and vetting credit clients/transactions. • Review debt collection continuously. • Engage debt collectors where applicable. • More judicious approval of credit to clients. • Requirement for providing bank or insurance guarantees.
5. Regulatory and compliance risk Changing regulations threaten NMG's competitive position and its capacity to efficiently conduct business.	• Continuous engagement with a wide set of stakeholders in the industry. • Strict enforcement of Editorial Policy and Guidelines as a tool to ensure quality journalism. • Performing regular regulatory development assessment. • Regular training on changing regulatory requirements. • Ensuring compliance with all relevant laws,regulations and standards.

Report of the Directors (continued)

Dividends

The directors recommend the payment of a final dividend of Shs 3.50 per share (140%) on the issued share capital as at 31 December 2018, which together with the interim dividend of Shs 1.50 per share (60%) paid on 30 September 2018, makes a total of Shs 5.00 per share (200%) in respect of the year ended 31 December 2018 (2017: Shs 10.00 per share).

The dividend will be paid less withholding tax where applicable on or about 31 July 2019 to shareholders registered on the register of members at the close of business on 14 June 2019. The register of members will be closed from 17 to 21 June 2019, both dates inclusive.

Directors

The directors who held office during the year and to the date of this report are set out on the page 42.

Mr. R. Tobiko was appointed to the Board on 1 March 2019 and in accordance with Article 96 of the Company's Articles of Association, he retires and being eligible for election.

Mr. D. Aluanga, Mr. F. O. Okello and Dr. S. Kagugube 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 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.

Prof. O. Mugenda and Mr. T. Mshindi retired from the board on 31 December 2018. Mr. J. Muganda retired from the board on 31 January 2018.

Disclosures to Auditors

The directors confirm that with respect to each director at the time of approval of this report:

a. there was, as far as each director is aware, no relevant audit information of which the Group's auditor is unaware; and

b. each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Terms of Appointment of Auditors

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

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract which sets out the terms of the auditor's appointment and the associated fees on behalf of the shareholders.

By order of the Board

J C Kinyua
Secretary
17 April 2019

Ripoti ya Wakurugenzi Wakuu

Wakurugenzi wakuu wana furaha wanapowasilisha ripoti zao pamoja na taariza za kifedha zilizokaguliwa za mwaka ulioisha tarehe 31 Desemba 2018, zinazofichua hali ilivyo katika shirika la Nation Media Group PLC ("Kampuni") pamoja na tanzu zake (zote kwa pamoja zikiitwa "Shirika").

Shughuli Kuu

Shughuli kuu za Shirika hili ni kuandika, kuchapisha na kusambaza magazeti, habari kwenye redio na kupeperusha matangazo kwenye runinga pamoja na huduma za kidijitali mtandaoni, katika mataifa ya Afrika Mashariki ya Kenya, Uganda, Tanzania na Rwanda

Uchanganuzi wa Kibiashara

Uthabiti wa siasa nchini kutokana na muafaka wa mwezi Machi 2018 ulikomesha vurugu zilizoshuhudiwa baada ya marudio ya kura za urais lakini shughuli za kiuchumi nazo kwa mapana zilibakia kudorora. Uchumi wa Kenya ulikua kwa asilimia 6.3 katika mwaka wa 2018, hasa kutokana na mazingira yaliyoimarika ya kisiasa, kuongezeka kwa imani ya wafanyabiashara na upokeaji thabiti wa fedha kutoka nje. Hata hivyo, sheria ya kudhibiti viwango vya riba kwenye mikopo ya benki iliendelea kutinga ukuaji wa kifedha kwa sekta ya kibinafsi. Uchumi wa Uganda uliathiriwa vibaya zaidi kutona na kudorora kwa Shilingi ya Uganda, na Tanzania, uchumi uliathiriwa hasa na hatua za serikali za kupunguza matumizi ya fedha. Kampuni kadhaa zilizoorodheshwa katika Soko la Hisa la Nairobi zilitoa tahadhari ya faida, huku nyingine zikipata mapato yaliyopungua kutokana na mazingira magumu ya kibiashara.

Faida ya shirika hili baada ya ushuru ilipungua ukilinganisha na mwaka uliotangulia. Mapato jumla yalipungua kwa asilimia 9.1 hadi kufikia Shs 9.7 bilioni huku faida baada ya kutozwa ushuru ikiwa Shs 1.1 bilioni ambayo ni kushuka kwa asilimia 14.7 ukilinganisha na mwaka uliotangulia, hasa kutokana na kupungua kwa matangazo ya biashara na ununuzi wa magazeti. Mapato hayo yaliathiriwa na kufungwa kwa *NTV Kenya* mapema mwaka huo na kusitishwa kwa huduma za matangazo ya kibiashara za baadhi ya akaunti muhimu kutokana na madeni ya muda mrefu yasiyolipwa. Hata hivyo haya yalifidiwa kiasi na mapato kutokana na biashara mpya kama vile *Kenya Buzz, Lit Music* na *Spark TV* mbali na juhudi mbalimbali za matumizi mazuri ya fedha. Uongozi umeendelea kumakinikia ubunifu wa njia mpya za mapato ili kufidia kudhoofika kwa biashara ya magazeti/machapisho, kupanga upya vikosi vya kuuza matangazo ya kibiashara ili kutimiza mahitaji ya wateja, kupunguza visa vya madeni mabovu na yanayoshukiwa pamoja na gharama ya uendeshaji biashara.

Matokeo ya Shirika hili katika mwaka huo yameorodheshwa katika taarifa ya pamoja ya mapato ya shirika katika ukurasa wa 66.

Viashiria Vikuu Vya Matokeo

	2018 Shs m	2017 Shs m	2016 Shs m	2015 Shs m	2014 Shs m
Matokeo					
Mapato	9,660.6	10,624.9	11,324.8	12,339.5	13,351.3
Faida kabla ya ushuru	1,634.0	1,954.6	2,460.0	2,823.2	3,624.0
Mapato ya pamoja kwa jumla ya mwaka	**1,056.7**	**1,350.9**	**1,634.7**	**2.071.1**	**2,410.2**
Nafasi ya kifedha					
Mali isiyokuwa ya matumizi ya mara kwa mara	4,770.0	5,009.2	5,010.8	5,171.8	4,569.3
Mali ya matumizi ya mara kwa mara baada ya kutoa gharama	3,137.6	3,190.4	3,707.3	3,933.8	4,256.7
Gharama zisizokuwa za mara kwa mara	(30.0)	(33.3)	(15.2)	(151.9)	(57.9)
Riba isiyokuwa na udhibiti	(56.7)	(51.0)	(47.0)	(48.4)	(53.9)
Fedha za wamiliki wa hisa	**7,820.9**	**8,115.3**	**8,655.9**	**8,905.3**	**8,714.2**
Faida kabla ya ushuru kama asilimia ya mapato %)	16.91	18.40	21.72	22.88	27.14
Mapato kwa kila hisa (Shs)	5.90	6.92	8.94	11.79	13.07
Mgao kwa kila hisa (Shs)	5.00	10.00	10.00	10.00	10.00
Kinga ya mgao (mara)	1.18	0.69	0.89	1.18	1.31
Matumizi ya mtaji	276.9	417.6	370.8	1,525.9	1,003.9

Ripoti ya Wakurugenzi Wakuu (inaendelea)

Hatari kuu na mikakati ya kukabiliana nayo

Hatari kuu za Shirika hili zimeorodheshwa hapa chini. Hatari hizi zimetathminiwa kwa kuzingatia athari zake na uwezekano wake wa kutokea, hatari za ziada zinazoweza kuibuka kutokana nazo kwa kutegemea vidhibiti vya uongozi na hatua zilizowekwa ili kukabiliana na hatari hizo za ziada.

HATARI KUU	MIKAKATI YA KUKABILIANA NAZO
1 Hatari za sifa Kuharibika kwa sifa ya NMG kutokana na hatua, mienendo au matokeo yasiyofikia kiwango cha matarajio ya wadau.	• Mafunzo bora kwa wafanyakazi kuhusu huduma kwa wateja. • Kufanya hamasisho miongoni mwa wafanyakazi kuhusu hatari kuu za sifa ya NMG. • Mkakati wa 'Utayarifu kwa Sheria' ili kuhakikisha masuala ya kanuni yana-fuatwa. • Kubuni mkondo wa kuibua mambo katika Shirika utakaotumiwa kuwasilisha masuala yanayohusiana na sifa. • Kuimarisha jukumu la 'uchujaji' na utiifu kwa sera ya uhariri/uanahabari. • Kubunia NMG itifaki ya kimawasiliano ikiwemo sera ya mitandao ya kijamii. • Kukagua mitandao ya kijamii mara kwa mara na kuto majibu yanayofaa. • Usimamizi mzuri wa wadau.
2. Hatari ya kiuzingativu Kutegemea sana magazeti na mapato ya mauzo ya magazeti kama njia kuu ya mapato.	• Kujaribu njia mpya za mapato. • Kujikita kikamilifu katika mfumo wa dijitali/rununu kwanza na kuzoelesha desturi ya kidijitali katika shirika. • Kumakinikia ubunaji au upataji wa habari/makala ya kipekee na yanayostahili.
3. Hatari za kesi Makala/habari/jumbe za Nation Media Group PLC za kumharibia mtu sifa zinaweka kampuni katika hatari ya kuongezeka kwa kesi dhidi yake kutoka kwa watu wanaoathiriwa na habari kama hizo.	• Ubunaji na utekelezaji wa vidhibiti madhubuti vya ndani katika kampuni ili kuzuia matukio kama hayo. • Kubuni hatua za kinidhamu kwa wakosaji. • Kushurutisha ufuataji wa dhati wa sera ya uhariri/uanahabari. • Mafunzo ya mapema kwa wafanyakazi kuhusu sheria na kanuni za habari za kidijitali ili kutimiza bila kuvuruga ubora wa huduma. • Ukabilianaji madhubuti na kesi.
4. Hatari za kutolipa Kukosa kwa wateja kulipa pesa Nation Media Group PLC.	• Udhibiti wa dhati wa kifedha na kuwatathmini wateja kifedha/kimalipo. • Kuchanganua ukusanyaji wa madeni kila mara. • Kuwatumia madalali wa kudai madeni pale panapohitajika. • Uidhinishaji kimakinifu wa deni la mteja. • Sharti la kuleta mdhamini kama vile benki au bima.
5. Hatari za Kisheria na Kikanuni Mabadiliko ya sheria yanatishia nafasi nzuri ya NMG na uwezo wake wa kuendesha biashara hii kwa ubora wa juu.	• Utangamano na wadau mbalimbali katika sekta hii. • Utekelezaji wa dhati wa Sera na Muongozo wa Uhariri kama chombo cha kuhakikisha pana uanahabari bora. • Kutekeleza tathmini ya mabadiliko ya kisheria ya mara kwa mara. • Mafunzo ya mara kwa mara kuhusu hitaji la sheria inayobadilikabadilika. • Kuhakikisha kudumishwa kwa sheria zote, kanuni na viwango vinavyofaa.

Ripoti ya Wakurugenzi Wakuu (inaendelea)

Migao

Wakurugenzi wakuu wanapendekeza malipo ya mgao wa mwisho wa Shs 3.50 (140%), kwa kila hisa ya mtaji iliyotolewa kufikia tarehe 31 Desemba 2018, ambayo pamoja na mgao wa awali wa Shs 1.50 kwa kila hisa (60%) ulioliрwa tarehe 30 Septemba 2018, unafikisha jumla ya Shs 5.00 kwa kila hisa (200%) unaporejelea mwaka uliokamilika 31 Desemba 2018 (2017: Shs 10.00 kwa kila hisa).

Mgao huo utalipwa baada ya kuondoa ushuru wa kushikilia pale panapofaa katika tarehe au karibu na tarehe 31 Julai 2019 kwa wenyehisa wote waliosajiliwa kwenye sajili ya wanachama kufikia saa za mwisho za kikazi mnamo 14 Juni 2019. Sajili ya wanachama itafungwa kuanzia tarehe 17 hadi 21 Juni 2019, tarehe zote mbili zikijumuishwa.

Wakurugenzi Wakuu

Wakurugenzi wakuu waliokuwa ofisini katika mwaka huo hadi sasa kwenye ripoti hii wameorodheshwa katika ukurasa 42.

Bw. R. Tobiko aliteuliwa kwa Bodi hii mnamo 1 Machi 2019 na kulingana na Kifungu cha 96 cha Muafaka wa Ushirika wa Kampuni hii, anastaafu na kwa sababu anafuzu anajitokeza kuchaguliwa.

Bw. D. Aluanga, Bw. F.O Okello na Dkt. S. Kagugube ni wakurugenzi wakuu wanaostaafu kwa mzunguko kulingana na Kifungu cha 110 cha Muafaka wa Ushirika wa Kampuni na kwa sababu wanafuzu, wanajitokeza kuchaguliwa tena.

Dkt. W. Kiboro. Prof. L. Huebner na Bw. A. Poonawala ni wakurugenzi wakuu ambao baada ya kutimu umri wa miaka 70 wanastaafu kulingana na kifungu cha 101 cha Muafaka wa Ushirika wa Kampuni na wanajitokeza kwa ajili ya kuchaguliwa tena kama wakurugenzi wakuu wa Kampuni kwa kipindi cha Mwaka mmoja zaidi.

Prof. O. Mugenda na Bw. T. Mshindi walistaafu kutoka kwenye bodi mnamo tarehe 31 Desemba 2018. Bw. J. Muganda alistaafu mnamo tarehe 31 Januari 2018.

Ufichuzi wa wakaguzi wa mahesabu

Wakurugenzi wakuu wanathibitisha kuwa kwa mujibu wa kila mmoja wakati wa uidhinishaji wa ripoti hii:

a) Hapakuwa na, jinsi kila mkurugenzi anavyofahamu, habari zinazofaa za mkaguzi wa hesabu za pesa ambazo mkaguzi wa hesabu za Shirika hajui; na

b) Kila mkurugenzi mkuu alichukua kila hatua iliyostahili kama mkurugenzi mkuu ili kufahamu habari zozote zinazofaa za ukaguzi wa mahesabu na kubaini kuwa mkaguzi wa mahesabu wa Shirika hili anafahamu habari hizo.

Masharti ya kuchaguliwa kwa wakaguzi wa mahesabu

Mkaguzi wa mahesabu ya Kampuni hii, PricewaterhouseCoopers, ameelezea nia ya kuendelea kushikilia jukumu hilo kulingana na sehemu ya 721 ya Sheria za Kampuni za Kenya ya 2015.

Wakurugenzi wakuu wanafuatilia ufaafu, utaalamu na uhuru wa wakaguzi wa hesabu. Jukumu hili linajumuisha uidhinishaji wa kandarasi ya kikazi ya ukaguzi ambayo inaorodhesha masharti ya uteuzi wa mkaguzi na ada husika kwa niaba ya wenyehisa.

Kwa amri ya Bodi

JC Kinyua
Katibu
17 April 2019

Directors' Remuneration Report
INFORMATION NOT SUBJECT TO AUDIT

Annual Statement and Statement of company's policy on directors' remuneration

The Nation Media Group PLC non-executive directors' remuneration is recommended by the Human Resources and Remuneration Committee to the board. The non-executive directors' fees were held at similar levels to the previous year and their remuneration is not pegged on performance.

The executive directors comprise of the Group Chief Executive Officer and the Group Finance Director. Their remuneration is approved by the Chairman of the Board. They have performance targets for the year and there is an approved bonus policy for the executive directors which is in line with the rest of the employees.

The Group does not run any share option schemes.

Contract of service

The non-executive directors are appointed under a three year contract and are subject to retirement by rotation and are eligible for re-election at the Annual General Meeting (AGM). Those non-executive directors above the age of 70 are required to retire at each AGM and are eligible for re-election.

The executive directors are employees who are on permanent and pensionable terms of employment.

Statement of voting at general meeting

During the AGM held on 29 June 2018, the shareholders unanimously authorised the board to fix the remuneration of the non-executive directors.

Following a review in Q4 2018, the Board approved an increase of 12.5 percent in directors fees and 6.25 per cent in sitting allowance just for the Chair of the Editorial Board Committee, with effect from 1 January, 2019, to take account of the relatively higher responsibilities.

Summary of the remuneration policy in respect of Non-Executive Directors (NEDs)

The following are highlights of the Board remuneration policy for the Group:

1. All fees of NEDs are fixed and are reviewed after every two years to take into account factors such as the prevailing rate of inflation and the competitive environment to attract and retain suitably qualified individuals.
2. The fees are paid quarterly and those NEDs who need to allocate more time than the norm are compensated through payment of sitting allowances.
3. Different rates apply to the Board members, the Chairmen of the various Board Committees and the Board Chairman, proportionate to the services and responsibilities rendered.
4. NED's are reimbursed for all business expenses relating to airfare, accommodation, taxis, visa fees incurred on Company business on actual basis supported by official receipts.
5. The NED's remuneration is approved by the shareholders in conformity with the Company's Articles of Association and the Capital Markets Authority Regulations.
6. The Company had in place a policy for payment on retirement for long serving NEDs. This policy was discontinued in 2012 and there are now only four NEDs, who were appointed prior to September 2008 eligible for such payment on retirement.

Directors' Remuneration Report
INFORMATION SUBJECT TO AUDIT

The following table shows a single figure remuneration for the executive, Chairman and non-executive directors in respect of qualifying services for the year ended 31 December 2018 together with the comparative figures for 2017.

The aggregate directors' emoluments are shown under Note 31(vi).

For the year ended 31 December 2018	Salary Shs m	Fees Shs m	Bonuses Shs m	Expense allowances Shs m	Long term/ terminal benefits Shs m	Total Shs m
Joe Muganda	5.2	-	-	0.1	0.2	5.5
Stephen Gitagama	37.4	-	-	0.1	2.3	39.8
Tom Mshindi	35.7	-	-	0.4	2.4	38.5
Wilfred Kiboro	-	5.8	-	0.2	-	6.0
Francis Okello	-	2.5	-	0.1	-	2.6
Anwar Poonawala*	-	1.7	-	-	-	1.7
Lee Huebner	-	2.3	-	-	-	2.3
Yasmin Jetha	-	2.3	-	-	-	2.3
Dennis Aluanga	-	3.0	-	-	-	3.0
Olive Mugenda	-	1.7	-	0.2	-	1.9
Simon Kagugube	-	2.1	-	-	-	2.1
James Montgomery	-	2.9	-	-	-	2.9
Leonard C Mususa	-	2.1	-	-	-	2.1
Louis Otieno	-	1.7	-	-	-	1.7
Wangethi Mwangi	-	3.4	-	-	-	3.4
Stephen Dunbar Johnson	-	1.3	-	-	-	1.3
Totals	78.3	32.8	-	1.1	4.9	117.1

**Payment with respect to services provided by Anwar Poonawala was paid to Aga Khan Fund for Economic Development (AKFED).*

Directors' Remuneration Report
INFORMATION SUBJECT TO AUDIT (continued)

For the year ended 31 December 2017	Salary Shs m	Fees Shs m	Bonuses Shs m	Expense allowances Shs m	Long term/ terminal benefits Shs m	Total Shs m
Joe Muganda	43.6	-	-	0.4	2.9	46.9
Stephen Gitagama	30.9	-	-	0.1	2.1	33.1
Tom Mshindi	35.4	-	-	0.5	2.4	38.3
Wilfred Kiboro	-	3.5	-	0.1	-	3.6
Francis Okello	-	2.3	-	0.1	-	2.4
Gerald Wilkinson	-	-	-	-	4.0	4.0
Anwar Poonawala*	-	1.7	-	-	-	1.7
Lee Huebner	-	2.3	-	-	-	2.3
Yasmin Jetha	-	2.3	-	-	-	2.3
Dennis Aluanga	-	2.9	-	-	-	2.9
Richard Dowden	-	0.9	-	-	-	0.9
Olive Mugenda	-	1.7	-	0.3	-	2.0
Simon Kagugube	-	2.1	-	-	-	2.1
James Montgomery	-	2.6	-	-	-	2.6
Leonard C Mususa	-	2.2	-	-	-	2.2
Louis Otieno	-	0.9	-	-	-	0.9
Wangethi Mwangi	-	2.6	-	-	-	2.6
Totals	109.9	28.0	-	1.5	11.4	150.8

**Payment with respect to services provided by Anwar Poonawala was paid to Aga Khan Fund for Economic Development (AKFED).*

On behalf of the Board

Y. Jetha

Chairman,
Human Resources and Remuneration Committee

17 April 2019


KENYABUZZ
MOVIES
EVENTS
LIFESTYLE
&
MORE!
True and timeless

Executive Team

Group Chief Executive Officer
Mr. Stephen Gitagama

Group Editorial Director
Mr. Mutuma Mathiu

Group Finance Director
Mr. Richard Tobiko

Group Human Resources Director
Mr. David Kiambi

Managing Director Newspaper Division
Mr. Francis Munywoki

Managing Director Broadcast Division
Mr. Alex Kobia

Managing Director Monitor Publications Ltd
Mr. Anthony C. Glencross

Managing Director Mwananchi Communications Ltd
Mr. Francis Nanai

Executive Team (continued)

Group IT Director
Mr. Gabriel Chege

Group Company Secretary
Mr. James Kinyua

Group Head of Digital
Mrs. Rashmi Chugh

Group Financial Controller
Mr. Japhet Mucheke

Head of Corporate & Regulatory Affairs
Mr. Clifford Machoka

Head of Operations
Mr. Gideon Aswani

Group Head of Internal Audit
Mr. George Ambatta

Head of Risk & Compliance
Mrs. Rachel Wanyoike

Statement of Directors' Responsibilities

The Kenyan 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 at the end of the financial year and of their financial performance for the year then ended. The directors are responsible for ensuring that the Group and Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and 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 Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining internal control 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 suitable accounting policies and then applying them consistently; and
iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

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 17 April 2019 and signed on its behalf by:

W D Kiboro
Chairman

R Tobiko
Group Finance Director

Independent Auditor's Report to the Shareholders of Nation Media Group PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Nation Media Group PLC (the Company) and its subsidiaries (together, the Group) set out on pages 66 to 107, which comprise the Group and Company statements of financial position at 31 December 2018 and the Group and Company statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Nation Media Group PLC give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of their financial performance and cash flows 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 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 judgement, 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 opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Calculation of impairment provisions on accounts receivable balances based on the Expected credit Loss (ECL) model The Group has adopted IFRS 9, Financial instruments, which is applicable for periods beginning on or after 1 January 2018. Being the year of adoption for the Group, IFRS 9 introduces new requirements which necessitate the use of significant judgements and assumptions in the determination of the impairment provision. As described in note 3 (i) (a) of these financial statements, the key areas where estimates and judgement has been applied included: (i) The interpretation of the requirements to determine impairment under IFRS 9; (ii) Determination of the definition of default and identification of exposures with significant deterioration in credit quality; and (iii) Identification and application of macro-economic factors in the Expected Credit Loss (ECL) calculations. Disclosures on adoption of IFRS 9 are in note 2 (a) and note 4 (b) of these financial statements.	We performed the following audit procedures: • We obtained an understanding of the Group's IFRS 9 implementation process including governance over the implementation process; • We reviewed the Group's updated accounting policies for compliance with IFRS 9; • We assessed and tested key modelling assumptions for reasonableness; • We validated key inputs into the ECL model against source documents and reports and checked for mathematical accuracy; and • We checked the financial statement disclosures for compliance with IFRS 9.

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pwc

Independent Auditor's Report to the Shareholders of Nation Media Group PLC (continued)

Other information

The other information comprises the company information, the corporate governance statement, the chairman's statement, the group chief executive officer's report, the sustainability report, the directors' profiles, the report of the directors, the statement of directors responsibilities, the non-auditable part of directors' remuneration report, the notice of annual general meeting, and the report of principal shareholders which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view 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.

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 PLC (continued)

- 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 Group's 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 matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors' on pages 47 to 49 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 54 and 55 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Pricewaterhouse Coopers

Certified Public Accountants
Nairobi
17 April 2019

CPA Bernice Kimacia, Practising certificate No. 1457.
Signing partner responsible for the independent audit

Nation Media Group
Media of Africa for Africa

True & Timeless

OCT. 8, 2004

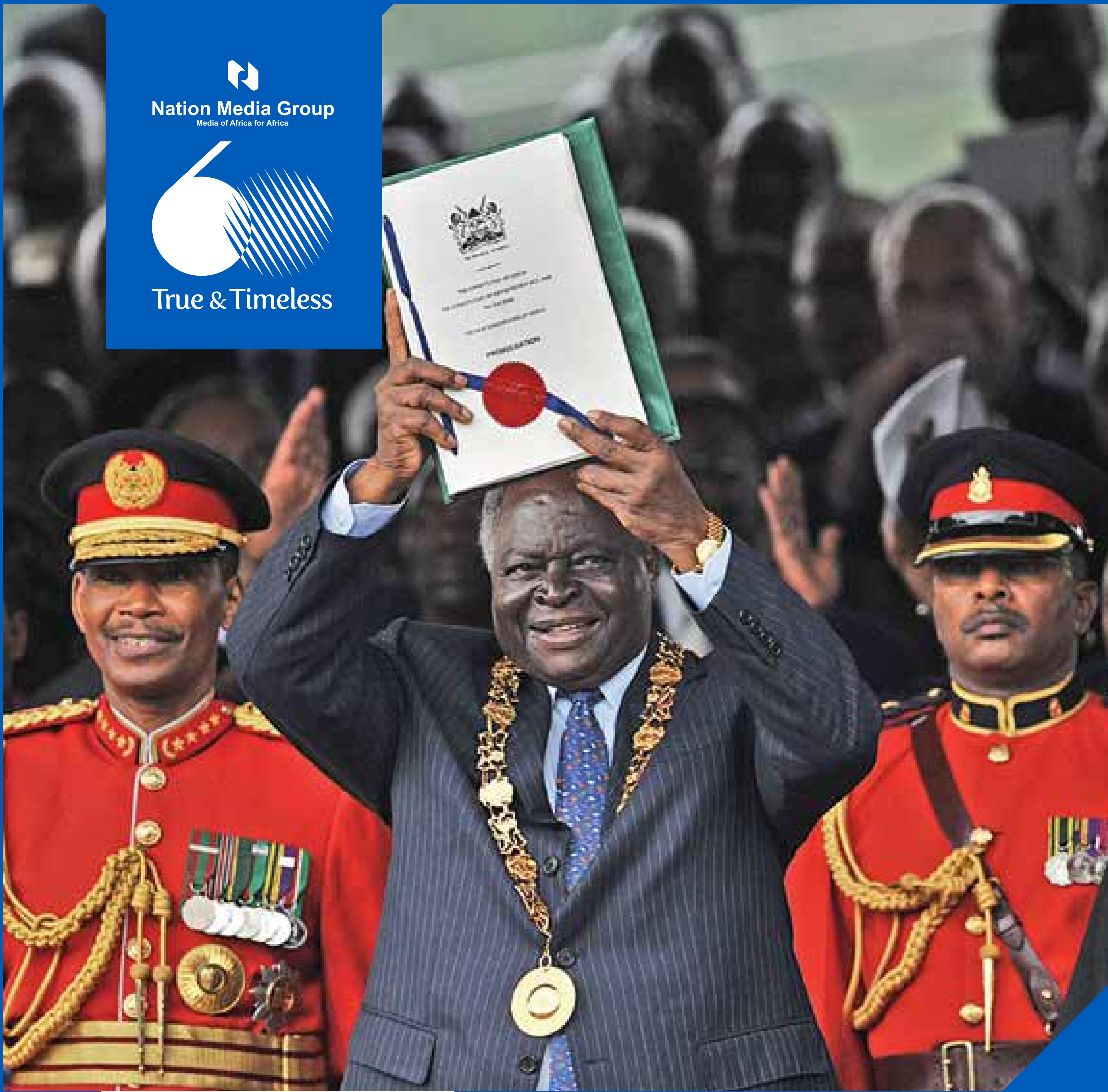
THERE AS THE WORLD CROWNED ITS FIRST AFRICAN FEMALE NOBEL PEACE PRIZE WINNER

THERE WHATEVER THE FUTURE HOLDS

Under the green shadow of arrowroot leaves, young Wangari Maathai would fetch the clear water for her mother from the stream near her home. “This is the world I inherited from my parents,” she said. A world she left in the 1960 Kennedy Airlift to the US for her first degree. Upon return – no stream. Women walked days to find water. The world she knew...lost. She began raising awareness about preserving forests, attracting the attention of the committee awarding the Nobel Peace Prize. She won it, making history, as immortalized in the *Daily Nation, NTV, Taifa Leo* and *Business Daily*.

Nation Media Group
Media of Africa for Africa

True & Timeless



THERE WHEN KENYANS DID NOT LET DIVIDED OPINION GET IN THE WAY OF ADOPTING A NEW CONSTITUTION

AUG. 4, 2010

THERE WHATEVER THE FUTURE HOLDS

2 am. The chill numbed the knuckles of the clenched hand holding out the *Daily Nation* under the torch. The headline read, *'Stand up for Kenya'*. It was Referendum 2010 Election day. With the country still recovering from the worst post election violence just 2 years before, something had changed. In the dark of dawn, as a hawker sold hot porridge to a Kalenjin, a Kikuyu, a Luo, along the winding queue, Kenyans showed that - not 2007, not tribe, not land, not religion, not abortion - nothing, would keep them away from the ballot box. Across the land, people cast their YES and NO votes, together, in peace. In the end, Kenyans won themselves one of the most progressive constitutions in Africa.

Statements of Comprehensive Income
FOR THE YEAR ENDED 31 DECEMBER

		Group		Company	
	Notes	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Revenue	5	9,660.6	10,624.9	7,523.5	8,186.0
Cost of sales		(1,808.0)	(1,963.7)	(1,323.8)	(1,521.5)
Gross profit		**7,852.6**	**8,661.2**	**6,199.7**	**6,664.5**
Distribution costs		(330.7)	(325.4)	(239.9)	(227.3)
Administrative expenses		(4,349.4)	(4,617.1)	(3,035.3)	(3,215.4)
Net impairment losses on financial assets		(102.8)	(333.3)	(76.0)	(311.5)
Other expenses		(1,756.9)	(1,843.6)	(1,560.0)	(1,597.2)
Operating profit	6	**1,312.8**	**1,541.8**	**1,288.5**	**1,313.1**
Finance income	8	243.5	319.0	212.5	295.8
Share of profit after income tax of associate	17	77.7	93.8	-	-
Profit before income tax		**1,634.0**	**1,954.6**	**1,501.0**	**1,608.9**
Income tax expense	9	(516.5)	(643.8)	(497.2)	(532.7)
Profit for the year		**1,117.5**	**1,310.8**	**1,003.8**	**1,076.2**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		(31.8)	(0.9)	-	-
Other comprehensive income from associate	17	(29.0)	33.9	-	-
Items that will not be reclassified to profit or loss					
Revaluation gain/(loss) net of tax	12	-	7.1	-	(16.8)
		(60.8)	**40.1**	**-**	**(16.8)**
Total comprehensive income for the year		**1,056.7**	**1,350.9**	**1,003.8**	**1,059.4**
Profit for the year attributable to:					
Owners of the parent		1,112.2	1,304.9	-	-
Non-controlling interest		5.3	5.9	-	-
		1,117.5	**1,310.8**	**-**	**-**
Total comprehensive income attributable to:					
Owners of the parent		1,052.9	1,344.9	-	-
Non-controlling interest		3.8	6.0	-	-
		1,056.7	**1,350.9**	**-**	**-**
Basic and diluted earnings per share (Shs)	10	**5.9**	**6.9**		

Nation Media Group
True & Timeless

Statements of Financial Position
AS AT 31 DECEMBER

		Group		Company	
	Notes	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
CAPITAL EMPLOYED					
Attributable to the Company's equity holders					
Share capital		471.4	471.4	471.4	471.4
Other reserves	12	(136.4)	(72.5)	102.1	104.7
Retained earnings		6,826.0	6,302.3	5,031.3	4,635.6
Proposed dividends	27	659.9	1,414.1	659.9	1,414.1
		7,820.9	**8,115.3**	**6,264.7**	**6,625.8**
Non-controlling interest		56.7	51.0	-	-
Total equity		**7,877.6**	**8,166.3**	**6,264.7**	**6,625.8**
Non-current liabilities					
Deferred income tax	13	27.6	25.9	-	-
Post employment benefit obligation	26	2.4	7.4	2.4	7.4
		30.0	**33.3**	**2.4**	**7.4**
Total equity and non-current liabilities		**7,907.6**	**8,199.6**	**6,267.1**	**6,633.2**
Non-current assets					
Land and buildings	14(a)	617.3	646.0	444.4	462.5
Plant and equipment	14(b)	1,999.8	2,398.3	1,606.8	1,946.6
Intangible assets	15	225.8	120.9	198.8	91.7
Prepaid operating lease rentals	16	69.3	72.3	42.3	43.8
Investment in associate	17	1,373.8	1,330.6	94.6	94.6
Investment in subsidiaries	18	-	-	774.3	950.6
Deferred income tax	13	309.8	280.1	219.4	272.3
Other assets	19	174.2	161.0	174.2	161.0
		4,770.0	**5,009.2**	**3,554.8**	**4,023.1**
Current assets					
Inventories	20	1,116.2	637.6	873.8	487.9
Receivables and prepayments	21	3,156.5	2,262.4	2,752.8	1,858.3
Cash and cash equivalents	22	867.1	1,692.6	591.5	1,211.2
Short-term investments	23	1,288.2	1,613.9	1,131.6	1,613.9
Current income tax		-	104.6	-	28.1
		6,428.0	**6,311.1**	**5,349.7**	**5,199.4**
Current liabilities					
Payables and accrued expenses	24	2,729.5	2,643.1	2,090.6	2,136.0
Provisions	25	527.2	477.6	506.3	453.3
Current income tax		33.7	-	40.5	-
		3,290.4	**3,120.7**	**2,637.4**	**2,589.3**
Net current assets		**3,137.6**	**3,190.4**	**2,712.3**	**2,610.1**
Total assets less current liabilities		**7,907.6**	**8,199.6**	**6,267.1**	**6,633.2**

The financial statements on pages 66 to 107 were approved and authorised for issue by the board of directors on 17 April 2019 and signed on its behalf by:

W D Kiboro
Chairman

R Tobiko
Group Finance Director

Group Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER

	Notes	Attributable to equity holders of the Company Share capital Shs m	Other reserves Shs m	Retained Earnings Shs m	Proposed dividends Shs m	Total Shs m	Non-controlling interest Shs m	Total equity Shs m
Year ended 31 December 2017								
At start of year		**471.4**	**(112.5)**	**6,882.9**	**1,414.1**	**8,655.9**	**47.0**	**8,702.9**
Total comprehensive income								
Profit for the year		-	-	1,304.9	-	1,304.9	5.9	1,310.8
Other comprehensive income, net of tax								
Currency translation differences		-	(1.0)	-	-	(1.0)	0.1	(0.9)
Revaluation of buildings		-	7.1	-	-	7.1	-	7.1
Share of comprehensive income in associate		-	33.9	-	-	33.9	-	33.9
Total other comprehensive income		**-**	**40.0**	**-**	**-**	**40.0**	**0.1**	**40.1**
Total comprehensive income for the year		**-**	**40.0**	**1,304.9**	**-**	**1,344.9**	**6.0**	**1,350.9**
Transactions with owners								
Acquisition of a subsidiary		-	-	-	-	-	(2.0)	(2.0)
Dividends:								
- Final for 2016		-	-	-	(1,414.1)	(1,414.1)	-	(1,414.1)
- Interim for 2017 paid	27	-	-	(471.4)	-	(471.4)	-	(471.4)
- Proposed final for 2017	27	-	-	(1,414.1)	1,414.1	-	-	-
Total transactions with owners		**-**	**-**	**(1,885.5)**	**-**	**(1,885.5)**	**(2.0)**	**(1,887.5)**
At end of year		**471.4**	**(72.5)**	**6,302.3**	**1,414.1**	**8,115.3**	**51.0**	**8,166.3**

Group Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER (continued)

		Attributable to equity holders of the Company						
	Notes	Share capital Shs m	Other reserves Shs m	Retained Earnings Shs m	Proposed dividends Shs m	Total Shs m	Non-controlling interest Shs m	Total equity Shs m
Year ended 31 December 2018								
At start of year, as previously reported		**471.4**	**(72.5)**	**6,302.3**	**1,414.1**	**8,115.3**	**51.0**	**8,166.3**
Impact of initial application of IFRS 9		-	-	349.6		349.6	2.4	352.0
At start of year, as adjusted		**471.4**	**(72.5)**	**6,651.9**	**1,414.1**	**8,464.9**	**53.4**	**8,518.3**
Total comprehensive income								
Profit for the year		-	-	1,112.2	-	1,112.2	5.3	1,117.5
Other comprehensive income, net of tax								
Currency translation differences		-	(30.3)	-	-	(30.3)	(1.5)	(31.8)
Transfer of excess depreciation		-	(6.5)	6.5	-	-	-	-
Deferred income tax on transfer		-	1.9	(1.9)	-	-	-	-
Share of comprehensive income in associate		-	(29.0)	-	-	(29.0)	-	(29.0)
Total other comprehensive income		**-**	**(63.9)**	**4.6**	**-**	**(59.3)**	**(1.5)**	**(60.8)**
Total comprehensive income for the year		**-**	**(63.9)**	**1,116.8**	**-**	**1,052.9**	**3.8**	**1,056.7**
Transactions with owners								
Dividends:								
- Final for 2017		-	-	-	(1,414.1)	(1,414.1)	-	(1,414.1)
- Interim for 2018 paid	27	-	-	(282.8)	-	(282.8)	-	(282.8)
- Proposed final for 2018	27	-	-	(659.9)	659.9	-	-	-
- Dividends paid to Non-controlling interest		-	-	-	-	-	(0.5)	(0.5)
Total transactions with owners		**-**	**-**	**(942.7)**	**(754.2)**	**(1,696.9)**	**(0.5)**	**(1,697.4)**
At end of year		**471.4**	**(136.4)**	**6,826.0**	**659.9**	**7,820.9**	**56.7**	**7,877.6**

Company Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER

	Notes	Share capital Shs m	Other reserves Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total equity Shs m
Year ended 31 December 2017						
At start of year		**471.4**	**121.5**	**5,444.8**	**1,414.1**	**7,451.8**
Total comprehensive income						
Profit for the year		-	-	1,076.3	-	1,076.3
Other comprehensive income, net of tax						
Transfer of excess depreciation		-	-	-	-	-
Deferred income tax on transfer		-	-	-	-	-
Revaluation of buildings		-	(16.8)	-	-	(16.8)
Total other comprehensive income		**-**	**(16.8)**	**-**	**-**	**(16.8)**
Total comprehensive income for the year		**-**	**(16.8)**	**1,076.3**	**-**	**1,059.5**
Transactions with owners						
Dividends:						
- final for 2016 paid	27	-	-	-	(1,414.1)	(1,414.1)
- interim for 2017 paid	27	-	-	(471.4)	-	(471.4)
- proposed final for 2017	27	-	-	(1,414.1)	1,414.1	-
Total transactions with owners		**-**	**-**	**(1,885.5)**	**-**	**(1,885.5)**
At end of year		**471.4**	**104.7**	**4,635.6**	**1,414.1**	**6,625.8**
Year ended 31 December 2018						
At start of year, as previously reported		**471.4**	**104.7**	**4,635.6**	**1,414.1**	**6,625.8**
Impact of initial application of IFRS 9		-	-	332.0	-	332.0
At start of year, as adjusted		**471.4**	**104.7**	**4,967.6**	**1,414.1**	**6,957.8**
Total comprehensive income						
Profit for the year		**-**	**-**	**1,003.8**	**-**	**1,003.8**
Other comprehensive income, net of tax						
Transfer of excess depreciation		-	(3.7)	3.7	-	-
Deferred income tax on transfer		-	1.1	(1.1)	-	-
Total other comprehensive income		**-**	**(2.6)**	**2.6**	**-**	**-**
Total comprehensive income for the year		**-**	**(2.6)**	**1,006.4**	**-**	**1,003.8**
Transactions with owners						
Dividends:						
- final for 2017 paid	27	-	-	-	(1,414.1)	(1,414.1)
- interim for 2018 paid	27	-	-	(282.8)	-	(282.8)
- proposed final for 2018	27	-	-	(659.9)	659.9	-
Total transactions with owners		**-**	**-**	**(942.7)**	**(754.2)**	**(1,696.9)**
At end of year		**471.4**	**102.1**	**5,031.3**	**659.9**	**6,264.7**

Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER

		Group		Company	
Cash generated from operations	**Notes**	**2018 Shs m**	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
Operating activities					
Cash generated from operations	30	1,142.2	2,807.7	1,066.5	2,513.3
Income tax paid		(566.6)	(1,112.4)	(517.9)	(1,072.1)
Net cash generated from operating activities		**575.6**	**1,695.3**	**548.6**	**1,441.2**
Investing activities					
Interest received	8	243.5	319.0	212.5	295.8
Purchase of property, plant and equipment	14	(129.6)	(391.6)	(66.8)	(301.5)
Purchase of intangible assets	15	(147.3)	(26.0)	(147.1)	(24.4)
Proceeds from sale of property, plant and equipment		24.6	118.4	21.8	97.3
Dividends received from associate	17	5.5	5.5	5.5	5.5
Acquisition of subsidiary		-	(2.0)	-	(2.0)
Dividend received from subsidiary		-	-	33.6	-
Long-term deposit		(13.2)	22.0	(13.2)	22.0
Short-term investments		325.7	488.7	482.3	488.7
Net cash generated from investing activities		**309.2**	**534.0**	**528.6**	**581.4**
Financing activities					
Dividends paid to Non-controlling interest		(0.5)	-	-	-
Dividends paid to shareholders of the Company		(1,696.9)	(1,885.5)	(1,696.9)	(1,885.5)
Net cash used in financing activities		**(1,697.4)**	**(1,885.5)**	**(1,696.9)**	**(1,885.5)**
Net (decrease)/ increase in cash and cash equivalents		**(812.6)**	**343.8**	**(619.7)**	**137.1**
Movement in cash and cash equivalents					
At start of year		1,692.6	1,344.7	1,211.2	1,074.1
(Decrease)/ increase in cash and cash equivalents		(812.6)	343.8	(619.7)	137.1
Exchange (losses)/ gains on cash and cash equivalents		(12.9)	4.1	-	-
At end of year	22	**867.1**	**1,692.6**	**591.5**	**1,211.2**

Notes to the financial statements

1 General information

Nation Media Group PLC (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 PLC
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 the Company and 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 on a going concern basis and in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenyan Shillings (Shs m), rounded to the nearest one tenth of a million.

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise 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

(i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2018:

IFRS 9 'Financial instruments'

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

The Group adopted IFRS 9 on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 9 disclosures have also been applied only to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7, "Financial Instruments: Disclosures".

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(i) New and amended standards adopted by the Group (continued)

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Group

	IAS 39			IFRS 9		
Financial assets	**Category**	**Measurement**	**Carrying amount Shs m**	**Category**	**Measurement**	**Carrying amount Shs m**
Cash and cash equivalents	Loans and receivables	Amortised cost	1,692.6	Financial assets at amortised cost	Amortised cost	1,692.6
Short-term investments			1,613.9			1,613.9
Receivables			2,095.8			2,598.6
Long term deposits			161.0			161.0

Company

	IAS 39			IFRS 9		
Financial assets	**Category**	**Measurement**	**Carrying amount Shs m**	**Category**	**Measurement**	**Carrying amount Shs m**
Cash and cash equivalents	Loans and receivables	Amortised cost	1,211.2	Financial assets at amortised cost	Amortised cost	1,211.2
Short-term investments			1,613.9			1,613.9
Receivables			1,745.0			2,219.3
Long term deposits			161.0			161.0

Management assessed the remeasurement adjustment for the other financial assets other than receivables to be immaterial.

There were no changes to the principles of classification and measurement for financial liabilities.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(i) New and amended standards adopted by the Group (continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The total re-measurement adjustment of Shs 502.8 million for Group and Shs 474.3 million for Company was recognised in retained earnings, net of tax, at 1 January 2018; affecting the following financial assets:

Group

Financial assets	IAS 39 at 31 Dec 2017 Shs m	IFRS 9 remeasurement adjustment Shs m	IFRS 9 at 1 Jan 2018 Shs m
Cash and cash equivalents	1,692.6	-	1,692.6
Short-term investments	1,613.9	-	1,613.9
Receivables	2,095.8	502.8	2,598.6
Long term deposits	161.0	-	161.0
Total	**5,563.3**	**502.8**	**6,066.1**

Company

Financial assets	IAS 39 at 31 Dec 2017 Shs m	IFRS 9 remeasurement adjustment Shs m	IFRS 9 at 1 Jan 2018 Shs m
Cash and cash equivalents	1,211.2	-	1,211.2
Short-term investments	1,613.9	-	1,613.9
Receivables	1,745.0	474.3	2,219.3
Long term deposits	161.0	-	161.0
Total	**4,731.1**	**474.3**	**5,205.4**

Deferred income tax	Group Shs m	Company Shs m
IFRS 9 remeasurement adjustment	502.8	474.3
Deferred income tax impact	(150.8)	(142.3)
IFRS 9 remeasurement adjustment, net of tax (adjustment to equity)	**352.0**	**332.0**

IFRS 15 'Revenue from Contracts with Customers'

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective 2018, IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The standard is applicable to customer contracts, except for contracts within the scope of the standards on financial instruments, leases and insurance contracts.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(i) New and amended standards adopted by the Group (continued)

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

An assessment was carried out by the Group to determine the impact of IFRS 15. The Group reviewed the contracts with customers that are within the scope of this standard and concluded that the adoption of IFRS 15 did not materially impact the Group's revenue recognition criteria and there were therefore no transition adjustments required.

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

Several new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except IFRS 16 as set out below:

IFRS 16 'Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and includes costs directly related to entering the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of Shs 832.9 million (2017: Shs 818.4 million) (see Note 28).

Based on the management's preliminary assessment, right of use assets of Shs 1.7 billion and lease liabilities of Shs 1.7 billion will have to be recognised in the Company's statement of financial position at 1 January 2019.

On transition, IFRS 16 allows entities not to restate its comparatives. The Group will therefore adopt IFRS 16 on 1 January 2019 using a modified retrospective approach. As such, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(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 recognises 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 IFRS 9 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.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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 in the separate financial statements. 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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(ii) Associates (continued)

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

Associates are stated at cost in the separate financial statements of the Company

(c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at market value, based on periodic valuations that are conducted at least every five years 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.

Freehold 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
Leasehold land	Over the remaining useful lives

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, which is responsible for strategic decision, allocating resources and assessing performance of the operating segments, has been identified as the CODM.

All transactions between business segments are conducted on an arm length basis. Income and expenses associated with each segment as included in determining business segment performance.

(e) Revenue recognition

The Group recognises revenue for direct sales of goods and rendering of services. Revenue is recognised as and when the Group satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax (VAT).

Circulation revenue from the sale of newspapers is recognised on delivery of the newspapers to appointed distributors based on approved allocation list, net of returns of unsold newspapers. Advertising revenue is recognised on publication or airing of the related advertisement. Contract printing revenue recognition is based on the performance of the service agreed with the customers.

The Group recognises revenue at a point in time or over time depending on the nature of goods and services and mode of fulfilling performance obligations.

Interest income is recognised using the effective interest method.

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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(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. Specific provisions are made for obsolete, slow moving and defective inventories.

(g) Financial instruments

(i) Initial recognition
Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

(ii) Classification
The Group classifies its financial instruments into the following categories:

a) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

b) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.
c) All other financial assets are classified and measured at fair value through profit or loss.
d) Financial liabilities that are held for trading, financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
e) All other solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables, and short term investments were classified as at amortised cost.
- Trade and other liabilities were classified as at amortised cost.

(iii) Initial measurement

On initial recognition:
- Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- Trade receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue

(iv) Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Exchange gains and losses on monetary items, interest income and dividend income are recognised in profit or loss.

Fair value is determined as set out in Note 4(e), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(v) Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments (Note 4(b)) for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset).

All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

(v) Impairment (continued)

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(vi) Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

(vii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

(viii) Offsetting

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

Comparative accounting policies for financial assets and liabilities

The IAS 39 related accounting policies below are provided because financial instruments comparative balances were recognised and measured under this standard.

(i) 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.

(ii) Payables

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

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Leases of land that are for a period of 99 years and below are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rent payable is recognised as an expense in the period in which it is incurred. Prepaid operating leases are accounted for as an asset using the straight-line method of amortisation over the period of the lease.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(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 end of reporting period 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 difference between the aggregate of (i) the value of the consideration transferred (generally at fair value), (ii) the amount of any non-controlling interest (NCI), and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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 and are identified according to operating segments.

(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 five years).

(i) Transmission frequencies

Acquired transmission frequencies are capitalised on the basis of the costs incurred to acquire and to bring them to use. Transmission 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

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(k) Employee benefits (continued)

(i) Post employment benefit obligations (continued)

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 statement of financial position 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 present value of the defined benefit obligation and related service costs is determined using the 'projected unit credit method', which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation. 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 reporting 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 profit or loss within 'finance income/costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

(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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- 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
- all resulting exchange differences are recognised in other comprehensive income.

Notes to the financial statements (continued)

2 Summary of significant accounting policies (continued)

(l) Functional currency and translation of foreign currencies (continued)

(iii) Group Companies (continued)

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) Share capital

Ordinary shares are classified as equity.

(p) 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.

(q) Provisions

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.

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.

a) Impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements and estimations are also required in applying the accounting requirements for measuring ECL, such as:

- The interpretation of the requirements to determine impairment under IFRS 9;
- Determination of the definition of default and identification of exposures with significant deterioration in credit quality; and
- Identification and application of macro-economic factors in the Expected Credit Loss (ECL) calculations and in particular, the determination of the most applicable macro economic factors and their correlation with future payment pattern.

b) Provision for claims and other liabilities

The Group faces exposure to claims and other liabilities arising in the normal course of business. There is uncertainty as to how present and future claims and other liabilities will be resolved and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Management in consultation with the legal advisers estimates a provision based on past precedents.

Notes to the financial statements (continued)

3 Critical accounting estimates and judgements (continued)

c) 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.

d) 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 whether assets are impaired.

4 Financial risk management

The Group's and the Company's activity expose it to a variety of financial risks comprising market risk (including foreign exchange risks, interest rate 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 management under policies approved by the Board of Directors. Management identifies, evaluates and mitigates 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 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.

Management manages this risk by making the significant foreign currency purchases within periods when the exchange rates are favourable. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

At 31 December 2018, if the shilling had weakened/strengthened against the US dollar and Euro by 5%, with all other variables held constant, the consolidated post tax profit for the year and equity would have been Shs 1.6 million higher/lower for the US dollar whereas the Euro effect would have been Shs 0.1 million higher/lower. (2017: Shs 16.7 million for the US dollar and Shs 0.8 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) Interest rate risk

The Group and the Company do not hold any borrowing and therefore not subject to interest rate risk.

(b) Credit risk and expected credit losses

Credit risk arises from cash and short term investments as well as trade and other receivables. The Group 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. For trade receivables, the 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. 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.

Notes to the financial statements (continued)

4 Financial risk management (continued)

(b) Credit risk and expected credit losses (continued)

The Group has adopted the Expected Credit Losses (ECL) model to determine the impairment of trade receivables. The Group opted to adopt the simplified approach of determining the impairment provision. This model includes some operational simplifications for trade receivables, contract assets and lease receivables, because they are often held by entities that do not have sophisticated credit risk management systems. These simplifications eliminate the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred.

Using the simplified approach, management has segmented their accounts receivable balances into Government advertising debtors, other advertising debtors, and circulation and subscription debtors.

For the Government advertising debtors, management uses the Government debt collection trends in the past to determine the expected cash flows from these debts and discounts them to the present value to determine the provision. For the other advertising debtors, management determines probabilities of default (PD) using collection trends in the past adjusted for forward looking economic variables by a management multiplier. The average PDs are then used to determine the provision. For circulation and subscription debtors, management determines the portion of the debt not secured by a bank guarantee and applys a PD based on average collection trends in the past adjusted for forward looking economic variables on this unsecured portion to compute the provision. Dormant accounts are fully provided for.

Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand. Cash balances and longterm deposits have been assessed for credit loss based on the credit rating of the financial institutions holding the assets.

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

	Group		Company	
Trade and other receivables	**2018 Shs m**	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
i) Trade receivables (Note 21)				
Trade receivables	4,349.0	4,217.1	3,534.8	3,113.9
Expected credit losses	(2,683.4)	(3,083.4)	(1,765.6)	(2,163.9)
Carrying amount	**1,665.6**	**1,133.7**	**1,769.2**	**950.0**
Neither past due nor impaired	449.5	535.0	365.3	448.3
Past due but not impaired	2,202.8	598.7	1,790.4	501.7
Impaired (fully provided for)	1,696.7	3,083.4	1,379.1	2,163.9
ii) Related parties receivables (Note 21)				
Past due but not impaired	8.8	6.8	177.6	145.3
Impaired (fully provided for)	-	-	298.4	270.9
iii) Other receivables				
Past due but not impaired	1,313.3	955.3	714.2	649.7

Notes to the financial statements (continued)

4 Financial risk management (continued)

(b) Credit risk and expected credit losses (continued)

The overall reduction in the provision for Expected Credit Losses (ECL) results from lower Loss Given Default (LGD) rates on application of IFRS 9 particularly with respect to government debt.

Shs 225.1 million was held as collateral in the form of bank guarantees for trade receivables as at 31 December 2018 (2017: Shs 220.9 million). The stated bank guarantee amounts approximate their fair value.

	Group		Company	
Bank deposits and short term investments	**2018 Shs m**	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
Neither past due nor impaired				
Deposits with banks (Notes 19, 22 & 23)	1,064.3	2,036.7	762.3	1,736.7
Treasury bills (Note 23)	-	95.8	-	95.8
Other short term investments (Note 23)	806.0	786.7	806.0	786.7
	1,870.3	**2,919.2**	**1,568.3**	**2,619.2**

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the board of directors, which together with management, closely monitor the Group's and Company's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 discounting is not significant.

	Group		Company	
Liabilities less than 1 year	**2018 Shs m**	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
Payables and accrued expenses (Note 24)	2,729.5	2,643.1	2,090.6	2,136.0

(d) Capital management

The Group's and 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 manage capital.

The capital structure of the Group and Company consists of equity attributable to equity holders, comprising issued capital and retained earnings. Consistent with others in the industry, the Group and Company monitors capital on the basis of the gearing ratio. The Group and Company had no borrowings at year end (2017: Nil).

Notes to the financial statements (continued)

4 Financial risk management (continued)

(e) Fair value estimation

The different level of fair value measurement hierarchy is described as follows:
- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset that are not based on observable market data (that is, unobservable data) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
The carrying amounts of all assets and liabilities at the year-end date approximate their fair values.

The following table shows an analysis of financial and non- financial instruments measured at fair value by level of the fair value hierarchy:

Group At 31 December 2018	**Level 1** **Shs m**	**Level 2** **Shs m**	**Level 3** **Shs m**	**Total** **Shs m**
Non- financial assets				
Freehold land and buildings	-	617.3	-	617.3
At 31 December 2017				
Non- financial assets				
Freehold land and buildings	-	646.0	-	646.0
Company				
At 31 December 2018				
Non- financial assets				
Freehold land and buildings	-	444.4	-	444.4
At 31 December 2017				
Non- financial assets				
Freehold land and buildings	-	462.5	-	462.5

Notes to the financial statements (continued)

4 Financial risk management (continued)

(e) Fair value estimation (continued)

Land and buildings are categorised under Level 2 fair value hierarchy as their value is based on inputs other than quoted prices, or inputs that are observable for the asset or liability, either directly as prices or indirectly as derived from prices. There were no transfers between the various levels during the year.

The sensitivity of the fair valuation of land buildings to changes in the measurement assumptions is not significant for 2018 and 2017.

5 Segmental information

Management has determined the operating segments based on the various products or section's performance that are used by Executive Management Team that are used to make strategic decisions. The Group considers the business from a product perspective; Newspapers, Digital and Broadcasting;

Newspapers and Digital – This relates to sale of newspapers, advertisements published in the newspapers, advertisements in the digital platforms and subscriptions of e-paper.

Broadcasting – This relates to advertisements and other content aired on television.

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 operations and third party printing services. Neither of these constitute a separately reportable segment and have therefore been included as part of Newspapers and Digital 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

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines;

	Group		Company	
	2018 Shs m	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
Advertising revenue	6,528.7	7,087.4	5,077.1	5,545.6
Circulation revenue	2,603.1	3,053.8	1,973.0	2,238.0
Other	528.8	483.7	473.4	402.4
Total	**9,660.6**	**10,624.9**	**7,523.5**	**8,186.0**
Timing of revenue recognition:				
- At a point in time	9,660.6	10,624.9	7,523.5	8,186.0

Segment performance

Nation Media Group is domiciled in Kenya. The revenue attributed to local sales was Shs 7,523.5 million (2017:Shs 8,186.0 million) while the revenues attributed to all foreign countries in total from which the entity derives revenues was Shs 2,137.1 million (2017: Shs 2,438.9 million). The Group does not derive revenues in excess of 10% of the total Group's revenue from any individual customer except the Government of Kenya.

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

Notes to the financial statements (continued)

5 Segmental information (continued)

Statement of comprehensive income	Newspapers and Digital Shs m	Broad-casting Shs m	Un-allocated Shs m	Total Shs m
2018				
Revenue	8,096.1	1,564.5	-	9,660.6
Cost of sales	(1,347.8)	(460.2)	-	(1,808.0)
Gross profit	**6,748.3**	**1,104.3**	**-**	**7,852.6**
Depreciation	(387.6)	(137.0)	-	(524.6)
Amortisation	(39.7)	(2.8)	-	(42.5)
Provision for impairment of receivables	(96.0)	(6.8)	-	(102.8)
Other operating costs	(4,633.9)	(960.7)	(275.3)	(5,869.9)
Total operating expenses	**(5,157.2)**	**(1,107.3)**	**(275.3)**	**(6,539.8)**
Operating profit	1,591.1	(3.0)	(275.3)	1,312.8
Finance income	-	-	243.5	243.5
Share of results of associate	-	-	77.7	77.7
Contribution	**1,591.1**	**(3.0)**	**45.9**	**1,634.0**
2017				
Revenue	8,914.4	1,710.5	-	10,624.9
Cost of sales	(1,647.6)	(316.1)	-	(1,963.7)
Gross profit	**7,266.8**	**1,394.4**	**-**	**8,661.2**
Depreciation	(403.5)	(137.9)	-	(541.4)
Amortisation	(37.5)	(4.1)	-	(41.6)
Provision for impairment of receivables	(268.6)	(64.7)	-	(333.3)
Other operating costs	(4,526.1)	(1,088.0)	(589.0)	(6,203.1)
Total operating expenses	**(5,235.7)**	**(1,294.7)**	**(589.0)**	**(7,119.4)**
Operating profit	2,031.1	99.7	(589.0)	1,541.8
Finance income	-	-	319.0	319.0
Share of results of associate	-	-	93.8	93.8
Contribution	**2,031.1**	**99.7**	**(176.2)**	**1,954.6**

Notes to the financial statements (continued)

5 Segmental information (continued)

Statement of financial position	Newspapers and Digital Shs m	Broad-casting Shs m	Un-allocated Shs m	Total Shs m
2018				
Current assets				
Inventories	999.0	48.9	68.3	1,116.2
Receivables and prepayments	1,999.3	888.4	268.8	3,156.5
Other assets	-	-	2,155.3	2,155.3
	2,998.3	**937.3**	**2,492.4**	**6,428.0**
Non-current assets				
Property, plant and equipment	1,755.2	297.3	564.6	2,617.1
Investment in associate	-	-	1,373.8	1,373.8
Other assets	-	-	779.1	779.1
	1,755.2	**297.3**	**2,717.5**	**4,770.0**
Total assets	**4,753.5**	**1,234.6**	**5,209.9**	**11,198.0**
Current liabilities				
Payables and accrued expenses	1,156.0	732.7	840.8	2,729.5
Other liabilities	-	-	560.9	560.9
	1,156.0	**732.7**	**1,401.7**	**3,290.4**
Non-current liabilities				
Other liabilities	-	-	30.0	30.0
Total liabilities	**1,156.0**	**732.7**	**1,431.7**	**3,320.4**
Capital expenditure	**225.5**	**51.4**	**-**	**276.9**
2017				
Current assets				
Inventories	570.6	28.0	39.0	637.6
Receivables and prepayments	1,433.0	636.7	192.7	2,262.4
Other assets	-	-	3,411.1	3,411.1
	2,003.6	**664.7**	**3,642.8**	**6,311.1**
Non-current assets				
Property, plant and equipment	2,041.7	345.8	656.8	3,044.3
Investment in associate	-	-	1,330.6	1,330.6
Other assets	-	-	634.3	634.3
	2,041.7	**345.8**	**2,621.7**	**5,009.2**
Total assets	**4,045.3**	**1,010.5**	**6,264.5**	**11,320.3**
Current liabilities				
Payables and accrued expenses	1,119.4	709.5	814.2	2,643.1
Other liabilities	-	-	477.6	477.6
	1,119.4	**709.5**	**1,291.8**	**3,120.7**
Non-current liabilities				
Other liabilities	-	-	33.3	33.3
Total liabilities	**1,119.4**	**709.5**	**1,325.1**	**3,154.0**
Capital expenditure	**218.2**	**199.4**	**-**	**417.6**

Notes to the financial statements (continued)

6 Expenses by nature

	Group		Company	
The following items have been charged/(credited) in arriving at operating profit:	**2018 Shs m**	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
Profit on disposal of property, plant and equipment	(0.7)	(113.7)	(13.7)	(93.8)
Employee benefits expense (Note 7)	3,341.7	3,596.3	2,410.2	2,546.8
Trade receivables-provision for impairment (Note 21)	102.8	333.3	76.0	311.5
Operating lease rentals-office buildings	210.2	206.1	175.6	163.4
Depreciation of property, plant & equipment (Note 14)	524.6	541.4	416.5	431.5
Goodwill impairment (Note 15)	-	131.9	-	-
Amortisation of intangible assets (Note 15)	42.5	41.6	40.0	33.6
Operating lease rentals-leasehold land (Note 16)	1.9	1.2	1.5	0.8
Consumption of inventories	1,327.3	1,388.8	968.1	976.4
Provision for spares	(25.4)	25.2	(24.8)	24.8
Auditors' remuneration	25.6	26.0	12.8	12.5
Repairs and maintenance expenditure on property, plant and equipment	31.4	15.3	19.8	(2.4)

7 Employee benefits expense

Salaries and wages	3,182.9	3,303.0	2,299.3	2,386.5
Severance pay	-	259.0	-	218.1
Defined contribution benefit scheme	92.9	115.2	88.3	94.5
National Social Security Fund	46.7	75.2	3.4	3.8
Post employment benefit obligation (Note 26)	19.2	(156.1)	19.2	(156.1)
	3,341.7	**3,596.3**	**2,410.2**	**2,546.8**

The number of persons employed by the Group at the year end was:	**2018 Number**	**2017 Number**
Full time	1,126	1,211
Part time	444	331
	1,570	**1,542**

8 Finance income

Interest income	243.5	319.0	212.5	295.8

9 Income tax expense

Current income tax:				
- Current year charge to profit of loss	695.7	801.4	586.6	754.8
- Under/(over) provision of current tax in prior years	(0.4)	33.6	-	36.3
Deferred income tax (Note 13):	(178.8)	(191.2)	(89.4)	(258.4)
Total income tax expense	**516.5**	**643.8**	**497.2**	**532.7**

Notes to the financial statements (continued)

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		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Profit before income tax	1,634.0	1,954.6	1,501.0	1,608.9
Tax calculated at the statutory tax rate of 30% (2017:30%)	490.2	586.4	450.3	482.7
Tax effect of:				
- Income not subject to tax	(54.4)	(32.0)	(31.1)	(32.0)
- Expenses not deductible for tax purposes	81.0	48.4	78.8	45.5
Under/(over) provision of deferred tax in prior years	0.1	7.4	(0.8)	0.2
Under/(over) provision of current tax in prior years	(0.4)	33.6	-	36.3
Income tax expense	**516.5**	**643.8**	**497.2**	**532.7**

The statutory tax rate in all the countries in which the Group operates is 30%.

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	
	2018	2017
Net profit attributable to shareholders (Shs million)	1,112.2	1,304.9
Weighted average number of ordinary shares in issue (million)	188.5	188.5
Basic earnings per share (Shs)	5.9	6.9

There were no potentially dilutive ordinary shares outstanding as at 31 December 2018 as or 2017. Diluted earnings per share is therefore the same as basic earnings per share.

11 Share capital

	Group & Company	
	Number of shares (million)	Ordinary shares (million)
Authorised (par value of Shs 2.5 per share)	240.0	600.0
Issued and fully paid:		
31 December 2017	188.5	471.4
31 December 2018	188.5	471,4

Notes to the financial statements (continued)

12 Other reserves

Group	Revaluation reserve on buildings Shs m	Transactions with controlling interest Shs m	Currency translation Shs m	Total Shs m
As at 1 January 2017	**175.1**	**(58.8)**	**(228.8)**	**(112.5)**
Share of comprehensive income from associate	-	33.9	-	33.9
Currency translation differences	-	-	(1.0)	(1.0)
Revaluation of buildings	10.2	-	-	10.2
Deferred income tax on revaluation	(3.1)	-	-	(3.1)
	7.1	-	-	7.1
Balance as at 31 December 2017	**182.2**	**(24.9)**	**(229.8)**	**(72.5)**
As at 1 January 2018	**182.2**	**(24.9)**	**(229.8)**	**(72.5)**
Share of comprehensive income from associate	-	(29.0)	-	(29.0)
Currency translation differences	-	-	(30.3)	(30.3)
Transfer of excess depreciation	(6.5)	-	-	(6.5)
Deferred tax on transfer of depreciation	1.9	-	-	1.9
	(4.6)	-	-	(4.6)
Balance as at 31 December 2018	**177.6**	**(53.9)**	**(260.1)**	**(136.4)**

Company	Revaluation reserve on buildings Shs m	Total Shs m
As at 1 January 2017	**121.5**	**121.5**
Revaluation of buildings	(24.0)	(24.0)
Deferred tax on transfer of depreciation	7.2	7.2
Revaluation of buildings	(16.8)	(16.8)
Balance as at 31 December 2017	**104.7**	**104.7**
As at 1 January 2018	**104.7**	**104.7**
Transfer of excess depreciation	(3.7)	(3.7)
Deferred tax on transfer of depreciation	1.1	1.1
	(2.6)	(2.6)
Balance as at 31 December 2018	**102.1**	**102.1**

13 Deferred income tax

	Group		Company	
	2018 Shs m	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
At start of year, as previously stated	(254.2)	(66.1)	(272.3)	(6.7)
Initial application of IFRS 9 (Note 2(a))	150.8	-	142.3	-
At start of year, as adjusted	**(103.4)**	**(66.1)**	**(130.0)**	**(6.7)**
(Credit) to profit or loss (Note 9)	(178.8)	(191.2)	(89.4)	(258.4)
Charge/ (credit) to the statement of comprehensive income	-	3.1	-	(7.2)
At end of year	**(282.2)**	**(254.2)**	**(219.4)**	**(272.3)**
Presented by:				
Deferred income tax liabilities	27.6	25.9	-	-
Deferred income tax assets	(309.8)	(280.1)	(219.4)	(272.3)
At end of year	**(282.2)**	**(254.2)**	**(219.4)**	**(272.3)**

Notes to the financial statements (continued)

13 Deferred income tax (continued)

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

Group **Year ended 31 December 2018**	**1.1.18** **Shs m**	**Initial application of IFRS 9** **Shs m**	**Charged/ (credited) to P&L** **Shs m**	**Charged/ (credited) to OCI** **Shs m**	**31.12.18** **Shs m**
Deferred income tax liabilities					
Property, plant and equipment	294.9	-	(68.1)	-	226.8
Revaluation of buildings	77.6	-	(1.9)	-	75.7
Unrealized exchange gains	1.8	-	2.6	-	4.4
	374.3	**-**	**(67.4)**	**-**	**306.9**
Deferred income tax assets					
Provisions	(609.9)	150.8	(104.4)	-	(563.5)
Tax losses	(2.2)	-	-	-	(2.2)
Unrealized exchange losses	(22.2)	-	(7.7)	-	(29.9)
	(634.3)	**150.8**	**(112.1)**		**(595.6)**
Currency translation differences	5.8	-	0.7	-	6.5
Net deferred income tax (asset)/ liability	**(254.2)**	**150.8**	**(178.8)**	**-**	**(282.2)**

Group **Year ended 31 December 2017**	**1.1.17** **Shs m**	**Charged/ (credited) to P&L** **Shs m**	**Charged/ (credited) to OCI** **Shs m**	**31.12.17** **Shs m**
Deferred income tax liabilities				
Property, plant and equipment	356.6	(61.7)	-	294.9
Revaluation of buildings	75.1	(0.6)	3.1	77.6
Unrealized exchange gains	1.2	0.6	-	1.8
	432.9	**(61.7)**	**3.1**	**374.3**
Deferred income tax assets				
Provisions	(478.1)	(131.8)	-	(609.9)
Tax losses	(8.4)	6.2	-	(2.2)
Unrealized exchange losses	(18.1)	(4.1)	-	(22.2)
	(504.6)	**(129.7)**	**-**	**(634.3)**
Currency translation differences	5.6	0.2	-	5.8
Net deferred income tax (asset)/ liability	(66.1)	(191.2)	3.1	(254.2)

Company **Year ended 31 December 2018**	**1.1.18** **Shs m**	**Initial application of IFRS 9** **Shs m**	**Charged/ (credited) to P&L** **Shs m**	**Charged/ (credited) to OCI** **Shs m**	**31.12.18** **Shs m**
Deferred income tax liabilities					
Property, plant and equipment	271.8	-	(61.1)	-	210.7
Revaluation of buildings	44.4	-	(1.1)	-	43.3
Unrealized exchange gains	3.2	-	4.3	-	7.5
	319.4	**-**	**(57.9)**	**-**	**261.5**
Deferred income tax assets					
Provisions	(589.7)	142.3	(23.8)	-	(471.2)
Unrealised exchange losses	(2.0)	-	(7.7)	-	(9.7)
	(591.7)	**142.3**	**(31.5)**	**-**	**(480.9)**
Net deferred income tax (asset)/ liability	(272.3)	142.3	(89.4)	-	(219.4)

Notes to the financial statements (continued)

13 Deferred income tax (continued)

Company **Year ended 31 December 2017**	**1.1.18** **Shs m**	**Initial application of IFRS 9** **Shs m**	**Charged/ (credited) to P&L** **Shs m**	**Charged/ (credited) to OCI** **Shs m**	**31.12.18** **Shs m**
Deferred income tax liabilities					
Property, plant and equipment		335.0	(63.2)	-	271.8
Revaluation of buildings		52.0	(0.4)	(7.2)	44.4
Unrealized exchange gains		0.4	2.8	-	3.2
		387.4	**(60.8)**	**(7.2)**	**319.4**
Deferred income tax assets					
Provisions		(396.1)	(193.6)	-	(589.7)
Unrealised exchange losses		2.0	(4.0)	-	(2.0)
		(394.1)	**(197.6)**	**-**	**(591.7)**
Net deferred income tax (asset)/ liability		**(6.7)**	**(258.4)**	**(7.2)**	**(272.3)**

14 (a) Land and buildings

Group	**Freehold land** **Shs m**	**Buildings** **Shs m**	**Total** **Shs m**
As at 1 January 2017			
Valuation	7.0	798.1	805.1
Accumulated depreciation	-	(146.5)	(146.5)
Net book value	**7.0**	**651.6**	**658.6**
Year ended 31 December 2017			
Opening net book value	**7.0**	**651.6**	**658.6**
Additions	-	2.0	2.0
Disposals	-	-	-
Revaluation	2.1	6.7	8.8
Depreciation charge	-	(21.9)	(21.9)
Currency translation differences	-	(1.5)	(1.5)
Closing net book value	**9.1**	**636.9**	**646.0**
Year ended 31 December 2018			
Opening net book value	**9.1**	**636.9**	**646.0**
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	-	(22.0)	(22.0)
Currency translation differences	-	(6.7)	(6.7)
Closing net book value	**9.1**	**608.2**	**617.3**
As at 31 December 2018			
Valuation	9.1	802.0	811.1
Accumulated depreciation	-	(193.8)	(193.8)
Net book value	**9.1**	**608.2**	**617.3**

Notes to the financial statements (continued)

14 (a) Land and buildings (continued)

Company	Freehold land Shs m	Buildings Shs m	Total Shs m
Year ended 31 December 2017			
Opening net book value	**7.0**	**497.8**	**504.8**
Additions	-	2.0	2.0
Disposals	-	-	-
Revaluation	2.1	(27.4)	(25.3)
Depreciation charge	-	(19.0)	(19.0)
Closing net book value	**9.1**	**453.4**	**462.5**
As at 31 December 2017			
Valuation	9.1	570.8	579.9
Accumulated depreciation	-	(117.4)	(117.4)
Net book value	**9.1**	**453.4**	**462.5**
Year ended 31 December 2018			
Opening net book value	**9.1**	**453.4**	**462.5**
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	-	(18.1)	(18.1)
Closing net book value	**9.1**	**435.3**	**444.4**
As at 31 December 2018			
Valuation	9.1	570.8	579.9
Accumulated depreciation	-	(135.5)	(135.5)
Net book value	**9.1**	**435.3**	**444.4**

The Group's freehold land and buildings were revalued in 2017 by independent professional valuers. Valuations were made on the basis of open market value for existing use. The book values of the revalued assets were adjusted to the revalued amounts. Increase/ (decrease) arising on the revaluation was recognised in other comprehensive income and accumulated in the revaluation surplus.

If the buildings were stated on historical cost basis, the amounts would be as follows:

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Cost	560.7	560.7	411.0	411.0
Accumulated depreciation	(179.3)	(157.3)	(152.0)	(133.9)
Net book value	**381.4**	**403.4**	**259.0**	**277.1**

Notes to the financial statements (continued)

14 (b) Plant and equipment

Group	Plant and equipment Shs m	Motor vehicle Shs m	Total Shs m
As at 1 January 2017			
Cost	8,097.5	459.5	8,557.0
Accumulated depreciation	(5,649.2)	(371.3)	(6,020.5)
Net book value	**2,448.3**	**88.2**	**2,536.5**
Year ended 31 December 2017			
Opening net book value	**2,448.3**	**88.2**	**2,536.5**
Additions	283.9	105.7	389.6
Disposals	(2.5)	(3.0)	(5.5)
Depreciation charge	(457.4)	(62.1)	(519.5)
Currency translation differences	(2.6)	(0.2)	(2.8)
Closing net book value	**2,269.7**	**128.6**	**2,398.3**
Year ended 31 December 2018			
Opening net book value	**2,269.7**	**128.6**	**2,398.3**
Additions	106.1	23.5	129.6
Disposals	(4.9)	(4.9)	(9.8)
Depreciation charge	(444.6)	(58.0)	(502.6)
Currency translation differences	(14.9)	(0.8)	(15.7)
Closing net book value	**1,911.4**	**88.4**	**1,999.8**
As at 31 December 2018			
Cost	8,643.3	519.8	9,163.1
Accumulated depreciation	(6,731.9)	(431.4)	(7,163.3)
Net book value	**1,911.4**	**88.4**	**1,999.8**

Notes to the financial statements (continued)

14 (b) Plant and equipment (continued)

Company	Plant and equipment Shs m	Motor vehicle Shs m	Total Shs m
Year ended 31 December 2017			
Opening net book value	**1,997.8**	**63.6**	**2,061.4**
Additions	209.3	90.2	299.5
Disposals	(0.7)	(1.1)	(1.8)
Depreciation charge	(364.3)	(48.2)	(412.5)
Closing net book value	**1,842.1**	**104.5**	**1,946.6**
As at 31 December 2017			
Cost	6,527.5	438.5	6,966.0
Accumulated depreciation	(4,685.4)	(334.0)	(5,019.4)
Net book value	**1,842.1**	**104.5**	**1,946.6**
Year ended 31 December 2018			
Opening net book value	**1,842.1**	**104.5**	**1,946.6**
Additions	48.4	18.4	66.8
Disposals	(3.8)	(4.4)	(8.2)
Depreciation charge	(354.1)	(44.3)	(398.4)
Closing net book value	**1,532.6**	**74.2**	**1,606.8**
As at 31 December 2018			
Cost	6,555.9	431.3	6,987.2
Accumulated depreciation	(5,023.3)	(357.1)	(5,380.4)
Net book value	**1,532.6**	**74.2**	**1,606.8**

Notes to the financial statements (continued)

15 Intangible assets

Group As at 1 January 2017	Goodwill Shs m	Computer software Shs m	Transmission frequencies Shs m	Total Shs m
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**
Year ended 31 December 2017				
Opening net book value	**158.9**	**109.6**	**-**	**268.5**
Additions	-	26.0	-	26.0
Amortisation	-	(41.6)	-	(41.6)
Impairment	(131.9)	-	-	(131.9)
Currency translation differences	-	(0.1)	-	(0.1)
Closing net book value	**27.0**	**93.9**	**-**	**120.9**
Year ended 31 December 2018				
Opening net book value	**27.0**	**93.9**	**-**	**120.9**
Additions	-	147.3	-	147.3
Amortisation	-	(42.5)	-	(42.5)
Currency translation differences	-	0.1	-	0.1
Closing net book value	**27.0**	**198.8**	**-**	**225.8**
As at 31 December 2018				
Cost	187.9	714.7	-	902.6
Accumulated amortization	(160.9)	(515.9)	-	(676.8)
Net book value	**27.0**	**198.8**	**-**	**225.8**

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.

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

	Operating Segment	2018 Shs m	2019 Shs m
Monitor Publications Limited (MPL)	Newspapers	23.0	23.0
Radio Uhuru Limited (RUL)	Broadcasting	4.0	4.0
		27.0	**27.0**

Movement in goodwill	2018 Shs m	2017 Shs m
At start of year	**27.0**	**158.9**
Impairment of goodwill allocated to MCL	-	(115.4)
Impairment of goodwill allocated to RUL	-	(16.5)
At end of year	**27.0**	**27.0**

Notes to the financial statements (continued)

15 Intangible assets (continued)

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 goodwill 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;

2018 and 2017	Monitor Publications Limited
Pre-tax Discount rate	22%
Long term growth rate	6%
Gross profit margin	77%

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.

The goodwill relating to Radio Uhuru Limited is not significant.

Company

As at 1 January 2017	Computer software Shs m	Transmission Frequencies Shs m	Total Shs m
Cost	478.9	27.2	506.1
Accumulated amortization	(378.0)	(27.2)	(405.2)
Net book value	**100.9**	**-**	**100.9**
Year ended 31 December 2017			
Opening net book value	**100.9**	**-**	**100.9**
Additions	24.4	-	24.4
Amortisation	(33.6)	-	(33.6)
Closing net book value	**91.7**	**-**	**91.7**
As at 31 December 2017			
Cost	503.3		503.3
Accumulated amortization	(411.6)		(411.6)
Net book value	**91.7**	**-**	**91.7**
Year ended 31 December 2018			
Opening net book value	**91.7**	**-**	**91.7**
Additions	147.1	-	147.1
Amortisation	(40.0)	-	(40.0)
Closing net book value	**198.8**	**-**	**198.8**
As at 31 December 2018			
Cost	650.4	-	650.4
Accumulated amortization	(451.6)	-	(451.6)
Net book value	**198.8**	**-**	**198.8**

Notes to the financial statements (continued)

16 Prepaid operating lease rentals

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
At start of year	72.3	74.5	43.8	45.0
Disposal	-	(0.4)	-	(0.4)
Amortisation for the year	(1.9)	(1.2)	(1.5)	(0.8)
Currency translation differences	(1.1)	(0.6)	-	-
At end of year	69.3	72.3	42.3	43.8

17 Investment in associate

	Group	
	2018 Shs m	2017 Shs m
At start of year	1,330.6	1,208.4
Share of profit before income tax	103.9	114.1
Share of income tax expense	(26.2)	(20.3)
	77.7	93.8
Dividends received	(5.5)	(5.5)
Share of other comprehensive income	(29.0)	33.9
At end of year	1,373.8	1,330.6

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.

Other comprehensive income from associate relates to the net fair value (loss)/gain on financial assets (quoted and unquoted investments).

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 Compre-hensive income Shs m
Year 2018							
Property Development and Management Limited	Kenya	20%	10,163.9	2,903.7	773.3	388.4	(144.9)
Year 2017							
Property Development and Management Limited	Kenya	20%	9,788.6	2,742.2	651.6	468.6	169.4

There were no changes in the interest held in the unlisted associate during the year. The initial investment in associate carried in the Company's statement of financial position is Shs 94.6 million (2017: Shs 94.6 million).

Notes to the financial statements (continued)

18 Investment in subsidiaries

The Company'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 as at 31 December 2018 and 2017:

	Country of incorporation	Holding %	Company 2018 Shs m	Company 2017 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
Kenya Buzz Limited	Kenya	51.0	2.0	2.0
			1,153.3	**1,153.3**
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 Televisions 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
			1,178.3	**1,178.3**
Provision for impairment on investment in:				
Mwananchi Communications Limited			(349.3)	(173.0)
Africa Broadcasting Uganda Limited			(17.5)	(17.5)
Radio Uhuru Limited			(16.5)	(16.5)
Nation Holdings Rwanda Limited			(8.3)	(8.3)
Nation Holdings Tanzania Limited			(12.4)	(12.4)
			(404.0)	**(227.7)**
Net investment in subsidiaries			774.3	950.6

The company tests whether investment in subsidiaries has suffered any impairment whenever indicators are noted. As a result of decline in performance, the Directors performed a valuation exercise on Mwananchi Communicatons Limited. The recoverable value of the entity 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.

The following table sets out the key assumptions;

2018	**Mwananchi Communications Limited**
Pre-tax Discount rate	17.5%
Long term growth rate	3%
Gross profit margin	68%

Notes to the financial statements (continued)

18 Investment in subsidiaries (continued)

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

- Pre-tax Discount rate - reflects the specific risk relating to the entity and the countries in which the subsidiary operates. 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.

Following the above excercise, an additional provision for impairment of Shs 176.3 million (2017: Shs 47.5 million) was made on the Company's investment in Mwananchi Communications Limited.

19 Other assets

	Group & Company	
	2018 Shs m	2017 Shs m
Long-term deposits	174.2	161.0

The balance relates to long-term deposits held with a bank as back up funds for staff mortgage scheme. The long-term deposits are carried at amortised cost.

20 Inventories

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Raw materials	914.6	570.3	745.5	438.0
Engineering spares	230.0	218.4	202.1	198.3
Other stock	154.9	57.6	107.3	57.5
Gross inventory	**1,299.5**	**846.3**	**1,054.9**	**693.8**
Less: provision for obsolete stock	(183.3)	(208.7)	(181.1)	(205.9)
	1,116.2	**637.6**	**873.8**	**487.9**

Inventories are held at cost. The cost of inventories recognised as an expense and included in the consolidated 'cost of sales' amounted to Shs 1,327.3 million (2017: Shs 1,388.8 million).

21 Receivables and prepayments

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Trade receivables	4,349.0	4,217.1	3,534.8	3,113.9
Less: provision for doubtful debts	(2,683.4)	(3,083.4)	(1,765.6)	(2,163.9)
	1,665.6	1,133.7	1,769.2	950.0
Due from related parties (Note 31)	8.8	6.8	476.0	416.2
Less: provision for doubtful debts	-	-	(298.4)	(270.9)
	8.8	6.8	177.6	145.3
Other receivables and prepayments	1,482.1	1,121.9	806.0	763.0
	3,156.5	**2,262.4**	**2,752.8**	**1,858.3**

Notes to the financial statements (continued)

21 Receivables and prepayments (continued)

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

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
At start of year	3,083.4	2,750.1	2,163.9	1,852.4
Initial application of IFRS 9 (Note 2(a))	(502.8)	-	(474.3)	-
Charge for the year	102.8	333.3	76.0	311.5
At end of year	**2,683.4**	**3,083.4**	**1,765.6**	**2,163.9**

The carrying amounts of the above receivables approximate their fair values

22 Cash and cash equivalents

For the purposes of cash flow statements, cash and cash equivalents comprise cash and bank balances and term deposits held with banks, maturing in less than 90 days from origination. The year end cash and cash equivalent comprise the following:

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Cash and bank balances	459.2	548.3	329.0	366.9
Fixed deposits with banks	407.9	1,144.3	262.5	844.3
	867.1	**1,692.6**	**591.5**	**1,211.2**

23 Short-term investments

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Fixed deposits with banks	482.2	731.4	325.6	731.4
Treasury bills	-	95.8	-	95.8
Other short-term investments	806.0	786.7	806.0	786.7
	1,288.2	**1,613.9**	**1,131.6**	**1,613.9**

The short term investments include term deposits , treasury bills and other short term investments with maturity more than 90 days but less than one year. Included in the other short term investments is a commercial paper and fixed deposits with a related parties. Refer to Note 31 (vii) for further details.

The weighted average effective interest rate on the bank deposits during the year was 8.5% (2017 : 9.3%) and that of the other short term investments was 9.9% (2017: 11.1%). The carrying amounts of the above short term investments approximate their fair values.

24 Payables and accrued expenses

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Trade payables	798.8	832.4	472.8	476.1
Due to related parties (Note 31)	4.1	6.7	13.1	35.3
Accrued expenses	1,377.1	1,450.2	1,207.3	1,253.3
Other payables	549.5	353.8	397.4	371.3
	2,729.5	**2,643.1**	**2,090.6**	**2,136.0**

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

Notes to the financial statements (continued)

25 Provisions

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
At 1 January	477.6	441.3	453.3	418.2
Payments in the year	(81.0)	(84.6)	(61.0)	(84.7)
Charge for the year	130.6	120.9	114.0	119.8
At 31 December	**527.2**	**477.6**	**506.3**	**453.3**

The Group makes specific provisions for claims and other liabilities arising in the normal course of business. Specific provisions are made for estimated claims and other liabilities to the extent that the Group considers it probable that there will be an outflow of economic benefits and the amount can be reliably estimated. Any insurance reimbursements in relation to claims and other liabilities are only recognized when the Group is certain of reimbursement. Typically this will only occur when a reimbursement claim is accepted by the insurer.

Due to the nature of these provisions, management is unable to estimate the timing of their settlement with certainity. The impact of discounting on the provision is not considered to be material.

26 Post employment benefit obligation

The Group maintains a gratuity scheme under which qualifying employees are entitled to receive remuneration equal to the sum of two weeks pay for every year of service completed upon leaving the Group.

The amount included in the statement of financial position arising from the post employment benefit obligation is arrived at as follows:

	Group & Company	
	2018 Shs m	2017 Shs m
Opening balance	**7.4**	**265.1**
Payments in the year	(24.2)	(8.2)
Credit to P&L	19.2	(156.1)
Transfer to external scheme	-	(93.4)
Closing balance	**2.4**	**7.4**
Present value of funded obligations	(107.7)	(100.8)
Fair value of plan assets (fixed term deposit)	105.3	93.4
Deficit on funded plan	**(2.4)**	**(7.4)**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is not significant for 2018 and 2017.

The scheme was last valued by an independent actuary as at 31 December 2015. The significant actuarial assumptions were as follows;

	2015
Discount rate	14%
Inflation rate	6%
Current service cost (% salary)	1.6%
Assumed retirement age	55 years

A slight increase or reduction in the actuarial assumptions does not result in a material change in the liability and the Group adopted the most conservative resultant liability

Nation Media Group
True & Timeless

Notes to the financial statements (continued)

27 Dividends

During the year, an interim dividend of Shs 1.5 per share, amounting to Shs 282.8 million was paid (2017: Shs 471.4 million). At the annual general meeting to be held on 28 June 2019, a final dividend in respect of the year ended 31 December 2018 of Shs 3.5 per share amounting to Shs 659.9 million (2017: Shs 1,414.1 million) will be proposed. The total dividend for the year is therefore Shs 5.0 per share (2017: Shs 10.0), amounting to Shs 942.7 million (2017: 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.

28 Commitments

Capital expenditure
Commitments for capital expenditure at the reporting date are as follows:

	Group & Company	
	2018 Shs m	**2017 Shs m**
Contracted for but not provided for	34.1	39.9
Operating leases		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	167.3	151.9
Later than 1 year and not later than 5 years	665.6	666.5
	832.9	818.4

29 Contingent liabilities

The Group is a defendant in various claims brought against the Group in the normal couse of business. The Group has made provisions where deemed appropriate in line with group policy and legal advice. In the directors' opinion after taking appropriate legal advice, no significant additional liability will arise from the resolution of these matters beyond what has been provided for in the financial statements.

30 Cash generated from operations

	Group		Company	
	2018 Shs m	**2017 Shs m**	**2018 Shs m**	**2017 Shs m**
Reconciliation of profit before tax to cash generated from operations				
Profit before income tax	1,634.0	1,954.6	1,501.0	1,608.9
Adjustments for:				
Depreciation of property, plant and equipment (Note 14)	524.6	541.4	416.5	431.5
Goodwill impairment (Note 15)	-	131.9	-	-
Amortisation of intangible assets (Note 15)	42.5	41.6	40.0	33.6
Amortisation of prepaid operating lease rentals (Note 16)	1.9	1.2	1.5	0.8
Profit on sale of property, plant and equipment	(0.7)	(113.7)	(13.7)	(93.8)
Impairment of subsidiary (Note 18)	-	-	176.3	64.0
Interest income (Note 8)	(243.5)	(319.0)	(212.5)	(295.8)
Share of result after tax of associate (Note 17)	(77.7)	(93.8)	-	-
Dividend received from associate (Note 17)	-	-	(5.5)	(5.5)
Dividend received from subsidiary	-	-	(33.6)	-
Post employment benefit obligation (Note 26)	(5.0)	(257.7)	(5.0)	(257.7)
Changes in working capital:				
- inventories	(478.6)	597.7	(385.9)	532.3
- receivables and prepayments	(391.3)	218.3	(420.2)	325.9
- payables and accrued expenses, and provisions	136.0	105.2	7.6	169.1
Cash generated from operations	**1,142.2**	**2,807.7**	**1,066.5**	**2,513.3**

Notes to the financial statements (continued)

31 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.

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
(i) Sale of goods and services				
Subsidiaries:				
Monitor Publications Limited	-	-	12.6	5.1
Mwananchi Communications Limited	-	-	27.4	26.4
Other related parties:				
Property Development and Management Limited	-	0.8	-	0.8
TPS Eastern Africa Limited	10.4	16.5	1.8	0.9
Jubilee Holdings Limited	6.8	7.8	5.0	5.4
	17.2	**25.1**	**46.8**	**38.6**
(ii) Purchase of goods and services				
Subsidiaries:				
Monitor Publications Limited	-	-	19.7	0.3
Mwananchi Communications Limited	-	-	42.8	42.8
Other related parties:				
Property Development and Management Limited	161.7	157.1	161.7	157.1
TPS Eastern Africa Limited	24.9	28.2	3.6	5.6
Jubilee Holdings Limited	206.6	235.4	183.7	208.6
	393.2	**420.7**	**411.5**	**414.4**
(iii) Outstanding balances from transactions with related parties				
Amounts due from related parties				
Subsidiaries:				
Mwananchi Communications Limited	-	-	0.7	19.5
Monitor Publications Limited	-	-	157.4	114.8
Nation Infotech Limited	-	-	0.9	0.9
Radio Uhuru Limited	-	-	4.9	4.9
Nation Marketing and Publishing Limited	-	-	36.9	39.3
Nation Holdings Rwanda Limited	-	-	261.5	231.6
Kenya Buzz Limited	-	-	6.9	2.1
Nation Holdings Tanzania Limited	-	-	6.3	3.1
Other related parties:				
TPS Eastern Africa Limited	8.2	6.5	0.0	(0.1)
Jubilee Holdings Limited	0.6	0.3	0.5	0.1
	8.8	**6.8**	**476.0**	**416.2**
Provision for impairment				
Nation Holdings Rwanda Limited	-	-	(261.5)	(231.6)
Nation Marketing and Publishing Limited	-	-	(36.9)	(39.3)
	8.8	**6.8**	**177.6**	**145.3**
Amounts due to related parties				
Subsidiaries:				
Africa Broadcasting Uganda Limited	-	-	10.3	32.9
Monitor Publications Limited	-	-	-	-
Nation Marketing and Publishing Limited	-	-	-	-
Nation Holdings Tanzania Limited	-	-	-	-
Other related parties:				
Property Development and Management Limited	0.6	0.6	0.6	0.6
Jubilee Insurance	2.4	2.5	1.6	0.8
TPS Eastern Africa Limited	1.1	3.6	0.6	1.0
	4.1	**6.7**	**13.1**	**35.3**

Notes to the financial statements (continued)

31 Related parties (continued)

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
(iv) Loans to executive directors				
At start of year	-	0.7	-	0.7
Loans advanced during the year	3.0	1.6	3.0	1.6
Loans repaid during the year	(0.6)	(2.3)	(0.6)	(2.3)
At end of year	2.4	-	2.4	-

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.

	Group		Company	
	2018 Shs m	2017 Shs m	2018 Shs m	2017 Shs m
Salaries and other short term employment benefits	284.9	252.9	275.2	245.3
Post-employment benefits (Defined contribution)	14.2	12.6	13.8	12.3
	299.1	**265.5**	**289.0**	**257.6**
(vi) Directors' remuneration				
Fees for services as director	32.8	28.0	30.7	25.4
Salaries and other short term employment benefits	78.3	109.9	78.3	109.9
Other benefits	6.0	12.9	6.2	12.9
	117.1	**150.8**	**115.2**	**148.2**

(vii) Other related party transactions

Included as part of short-term investments (Note 23) are the following balances with related parties:

	Company	
	2018 Shs m	2017 Shs m
Term deposit with Diamond Trust Bank Kenya Limited	313.9	636.8
Short term note investment with Industrial Promotion Services (K) Limited	400.0	400.0
	713.9	**1,036.8**

The short term investment note with Industrial Promotion Services (K) Limited is for a duration of 3 months each, attracting interest rate of 9.6% per annum for 2018 and 11.0% per annum for 2017.

Principal Shareholders and their respective Shareholding
AT 31 DECEMBER 2018

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	Kimani John Kibunga	3,617,933	1.92
4	Stanbic Nominees Limited	3,362,065	1.78
5	Standard Chartered Nominees Ltd A/C KE002382	2,588,000	1.37
6	Standard Chartered Nominees Resd A/C Ke11450	2,283,828	1.21
7	The Jubilee Insurance Company Of Kenya Limited	2,266,818	1.20
8	Kenya Commercial Bank Nominees Limited A/C 915b	2,266,033	1.20
9	Standard Chartered Nominees Resd A/C Ke11401	2,130,717	1.13
10	Kenya Commercial Bank Nominees Limited A/C 915a	1,889,389	1.00

Distribution of Shareholding
AT 31 DECEMBER 2018

	No. of shareholders	No. of shares held	% of shareholding
1 – 500	4,709	862,094	0.46
501 – 5,000	4,734	9,684,031	5.14
5,001 – 10,000	861	6,507,507	3.45
10,001 – 100,000	911	23,398,064	12.41
100,001 – 1,000,000	94	22,285,794	11.82
Over 1,000,000	12	125,804,796	66.72
Total	11,321	188,542,286	100.00

Directors Shareholding

Name	No. of shares held	% of Shareholding
Yasmin Jetha	15,175	0.0080
Wangethi Mwangi	5,058	0.0027
Stephen Gitagama	1,296	0.0007

Proxy form

I/We____

____being a member of Nation Media Group PLC, 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 28th June 2019 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 PLC, 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.

Fomu ya Uwakilishi

Mimi/Sisi____

____kama mwanachama wa kampuni ya Nation Media Group

PLC, 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 28 Juni 2019 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 PLC, 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.

Notes

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