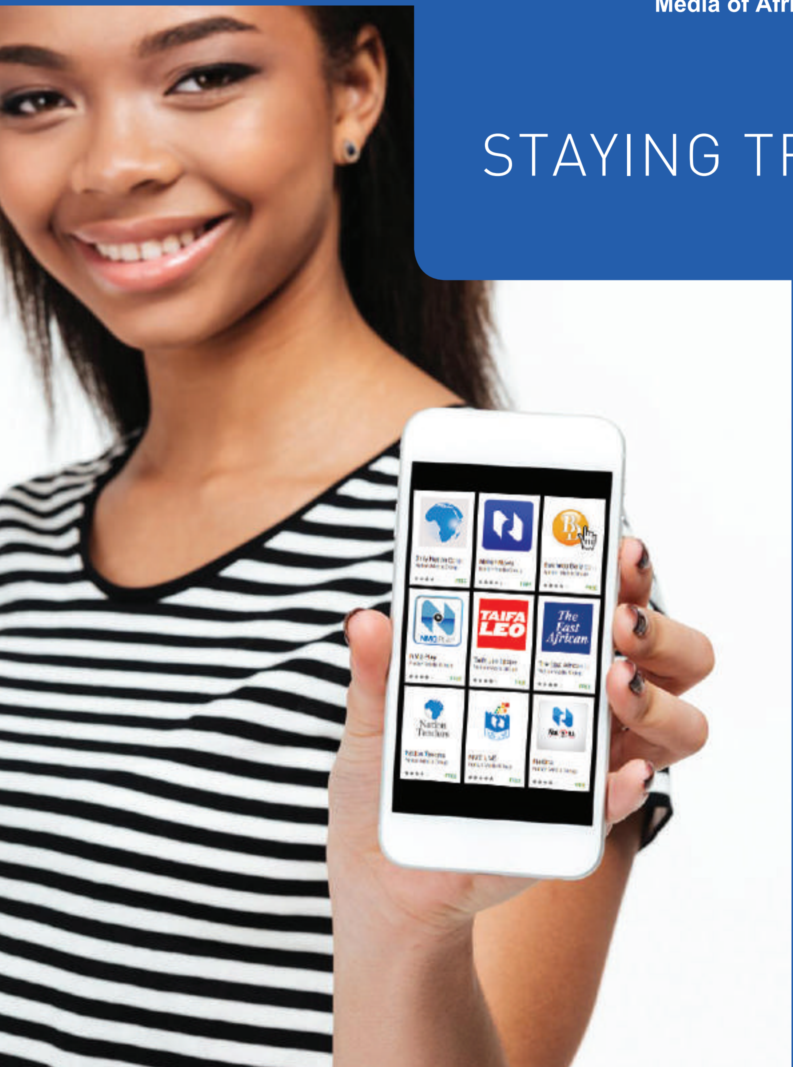
Nation Media Group

Media of Africa for Africa

STAYING TRUE TO YOU



2017 ANNUAL REPORT AND FINANCIAL STATEMENTS

NEWS ON THE GO

Stay up to date on current events with our digital offerings.

Top Websites

- www.nation.co.ke
- www.businessdailyafrica.com
- www.theeastafrican.com
- www.swahilihub.com
- www.nairobinews.co.ke
- www.mwanaspoti.co.tz
- www.ntv.com
- www.monitor.co.ug
- www.thecitizen.co.tz
- www.mwananchi.co.tz

Social Media

- Nation Media Group
- @nationmedia Grp
- Nation Media Group

Apps

Nation News | Daily Nation | Business Daily | Taifa Leo | The East African

Dail *367#

ANDROID APP ON Google play

Download on the App Store

Nation Media Group

Media of Africa for Africa

Nation Media Group

Media of Africa for Africa

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

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/2017AnnualReport.pdf

View our 2017 results presentation at
http://host.nationmedia.com/2017Results-InvestorBriefingPresentation.pdf

COMPANY INFORMATION

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

Nation Media Group

TABLE OF CONTENTS

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty-Fifth 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 29 June 2018 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the financial statements for the year ended 31 December 2017, and the chairman's, directors' and auditors' reports thereon.

2. To confirm the payment of the interim dividend of Shs. 2.50 per share (100%) and to approve the payment of the final dividend of Shs.7.50 per share (300%) on the ordinary share capital in respect of the year ended 31 December 2017.

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. W. Mwangi and Mr. L. Otieno, are directors appointed on 5th July 2017, while Mr S. Dunbar-Johnson was appointed a director on 13th April 2018, who retire and being eligible offer themselves for election.

   (b) In accordance with Article 110 of the Company's Articles of Association, Dr. Y. Jetha, Mr. J. Montgomery and Mr. L. Mususa 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

SPECIAL BUSINESS

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

5. "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."

6. "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."

7. "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

13 April 2018

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

ILANI YA MKUTANO MKUU WA MWAKA

Ilani inatolewa hapa kwamba Mkutano Mkuu wa Mwaka wa Hamisini na Tano wa Wenyehisa wa kampuni ya Nation Media Group PLC utafanyika katika ukumbi wa Amphitheatre katika Jumba la Kenyatta International Convention Centre (KICC), Nairobi na utakuwa ni siku ya Ijumaa tarehe 29 Juni 2018 kuanzia saa nane mchana ambapo masuala yafuatayo yatashughulikiwa:

SHUGHULI ZA KAWAIDA

1. Kupokea taarifa za kifedha za mwaka uliomalizika tarehe 31 Desemba 2017, pamoja na ripoti za mwenyekiti, wakurugenzi wakuu na wakaguzi wa mahesabu ya kifedha.

2. Kuthibitisha malipo ya mgao wa muda wa Shs. 2.50 kwa kila hisa (100%) na kuidhinisha malipo ya mgao wa mwisho wa Shs. 7.50 kwa kila hisa (300%) ya kawaida ya mtaji katika mwaka uliomalizika 31 Desemba 2017.

3. Kuthibitisha kuwa kampuni ya PricewaterhouseCoopers itaendelea kuhudumu afisini kama Kampuni ya Ukaguzi wa mahesabu kulingana na sehemu ya 721 ya Sheria ya Kampuni za Kenya ya mwaka 2015 na kisha kuidhinisha wakurugenzi kuweka mshahara za Wakaguzi.

4. Kuwachagua na kuwachagua tena wakurugenzi wafuatao:

   (a) Kulingana na Kifungu cha 96 cha Mkataba wa Kimashirika wa Kampuni hii, Bw. W. Mwangi na Bw. L. Otieno, ambao ni wakurugenzi wakuu walioteuliwa tarehe 5 Julai 2017, huku Bw. S. Dunbar-Johnson aliyeteuliwa kama mkurugenzi mkuu mnamo 13 Aprili 2018, wanastaafu na kwa sababu wanafuzu, wanajitokeza kuchaguliwa.

   (b) Kulingana na Kifungu cha 110 cha Mkataba wa Kimashirika wa Kampuni hii, Dkt. Y. Jetha, Bw. J. Montgomery na Bw. L. Mususa wanastaafu kwa mzunguko na kwa sababu wanafuzu, wanajitokeza ili kuchaguliwa tena.

   (c) Kulingana na sehemu ya 769 (1) ya Sheria ya Kampuni ya 2015, wakurugenzi wakuu wafuatao, wakiwa wanachama wa Kamati ya Ukaguzi, Kukabili na Hatari na pia Uzingatiaji wa kanuni, wanachaguliwa ili waendelee kuhudumu kama wanachama wa Kamati hiyo:

      (i) Bw. Dennis Aluanga
      (ii) Bw. Anwar Poonawala
      (iii) Dkt. Simon Kagugube
      (iv) Bw. Leonard Mususa

SHUGHULI MAALUM

Kuyazingatia na ikipatikana kuwa yanastahili, kupitisha maamuzi yafuatayo kama Maamuzi Maalum.

5. "Kwamba Dkt. W. Kiboro, akiwa mkurugenzi mkuu anayestaafu kulingana na Kifungu cha 101 cha Mkataba wa Kimashirika wa Kampuni hii na ambaye amepita umri wa miaka 70, bila kuzingatia hali hiyo, anachaguliwa tena kama mkurugenzi wa Kampuni hii kwa muda wa mwaka mmoja."

6. "Kwamba Prof. L. Huebner, akiwa mkurugenzi mkuu anayestaafu kulingana na Kifungu cha 101 cha Mkataba wa Kimashirika wa Kampuni hii na ambaye amepita umri wa miaka 70, bila kuzingatia hali hiyo, anachaguliwa tena kama mkurugenzi wa Kampuni hii kwa muda wa mwaka mmoja."

7. "Kwamba Bw. A. Poonawala, akiwa mkurugenzi mkuu anayestaafu kulingana na Kifungu cha 101 cha Mkataba wa Kimashirika wa Kampuni hii na ambaye amepita umri wa miaka 70, bila kuzingatia hali hiyo, anachaguliwa tena kama mkurugenzi wa Kampuni hii kwa muda wa mwaka mmoja."

Kwa amri ya Bodi

J. C. Kinyua
Katibu

Tarehe 13 Aprili 2018

***Fahamu:** Mwanachama yeyote anayestahili kuhudhuria na kupiga kura anaweza kumchagua mwakilishi ili ahudhurie na kupiga kura kwa niaba yake. Si lazima mwakilishi huyo awe mwanachama wa Kampuni hii. Sharti fomu za uwakilishi zilizojazwa zitumwe kwa afisi iliyosajiliwa ya Kampuni hii katika muda usiopungua saa 48 kabla ya saa ya mkutano.

CORPORATE GOVERNANCE

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

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

The Board has the following standing Board Committees:-

1. Nominations and Governance Committee, which is responsible for executive and non-executive board appointments and for overseeing the Group's adherence to good corporate governance principles. Prof. L. Huebner chairs the committee which has Dr. W. D. Kiboro and Mr. A. Poonawala as members. The members of the Committee 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. S. Gitagama and Mr. T. Mshindi as members.

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

5. Human Resources and Remuneration Committee, whose primary objective is to assist the Group to achieve its goal of adhering to the best practices in Human Resources Management and Development. Dr. Y. Jetha chairs the committee, which has Mr. A. Poonawala , Prof. O. Mugenda, 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.

DIRECTORS TRAINING

All the resident directors and one non-resident director attended the Advanced Corporate Governance Master Class training for directors of Public Listed Companies organized by the Capital Markets Authority of Kenya and sponsored by the International Financial Corporation (IFC) held at the Kenya School of Monetary Studies.

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

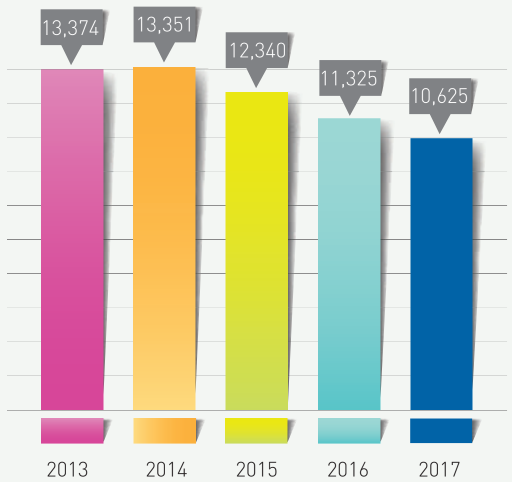
CONSUMER FOCUS

NMG YOUR EMPLOYER OF CHOICE

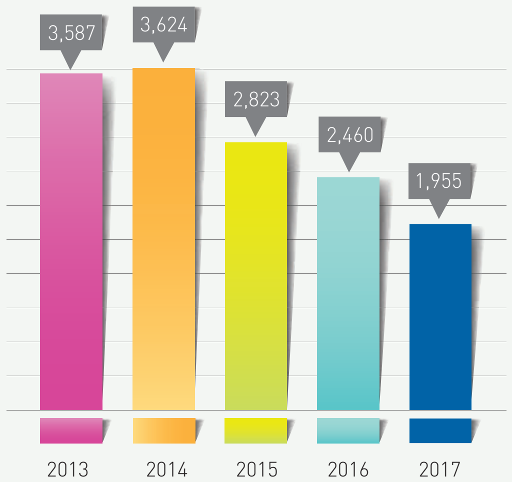
INTEGRITY AND TRUST

DRIVE FOR PERFORMANCE

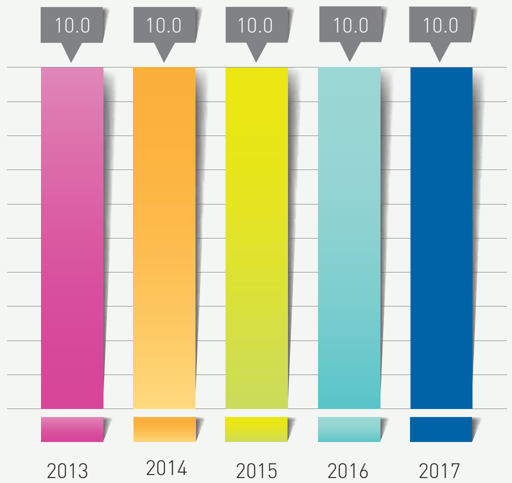
PERFORMANCE HIGHLIGHTS



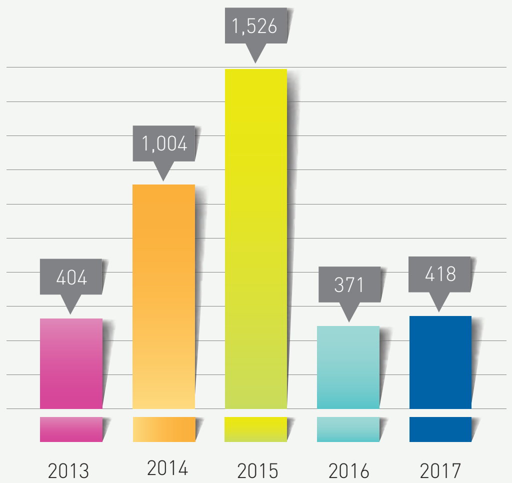
TURNOVER (SHS M)



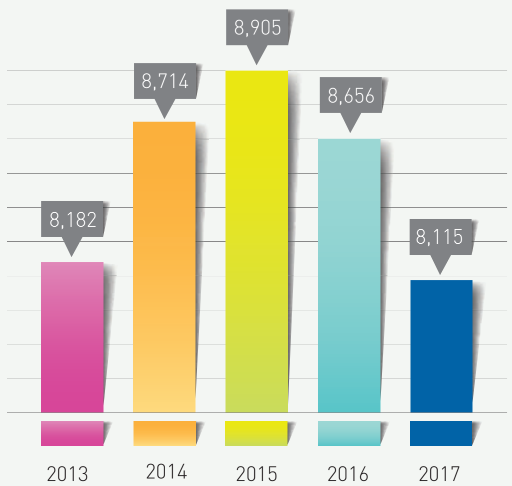
PROFIT BEFORE TAX (SHS M)



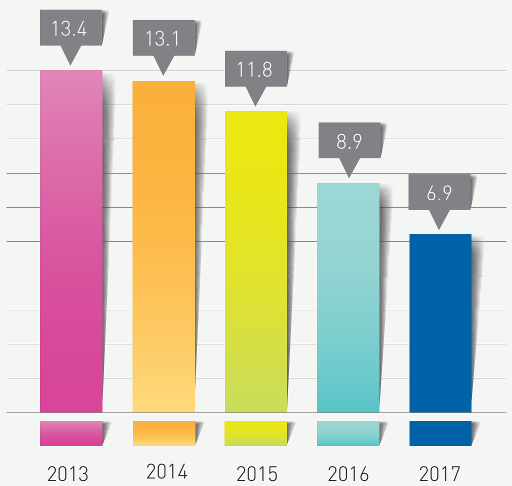
DIVIDENDS PER SHARE (SHS)



CAPITAL EXPENDITURE (SHS M)

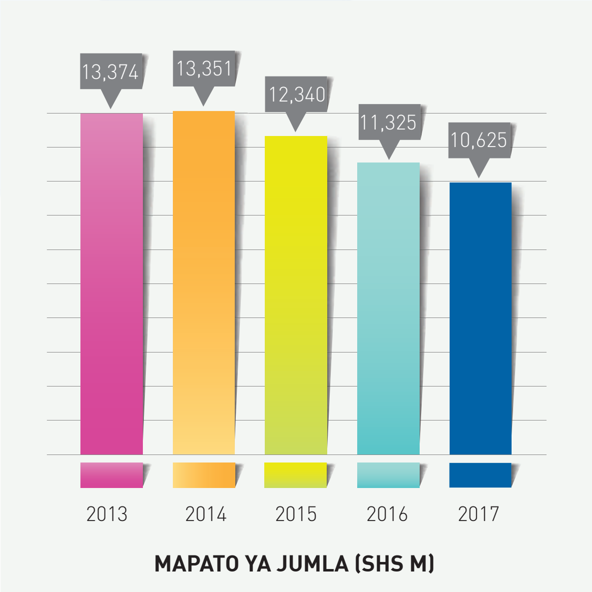


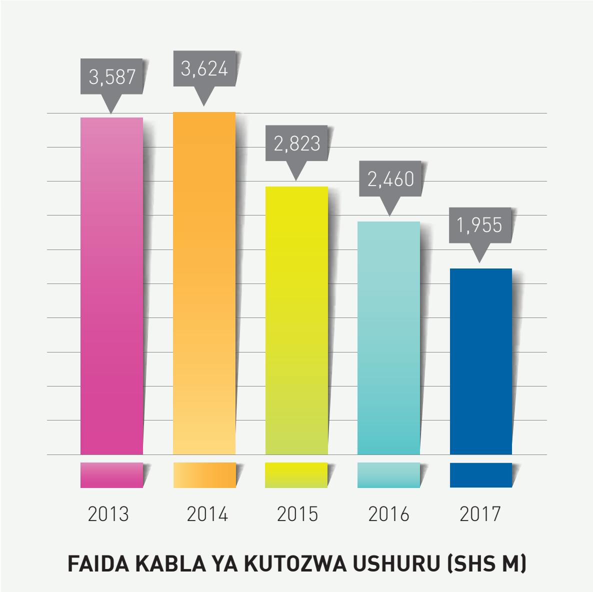
SHAREHOLDERS FUND (SHS M)

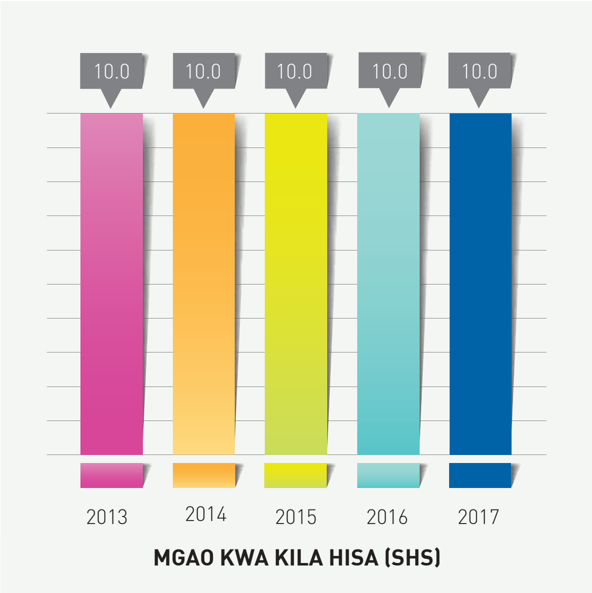


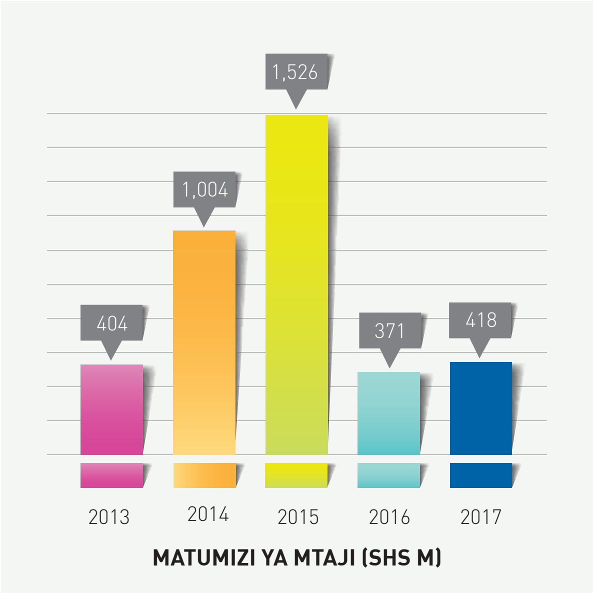
EARNING PER SHARE (SHS)

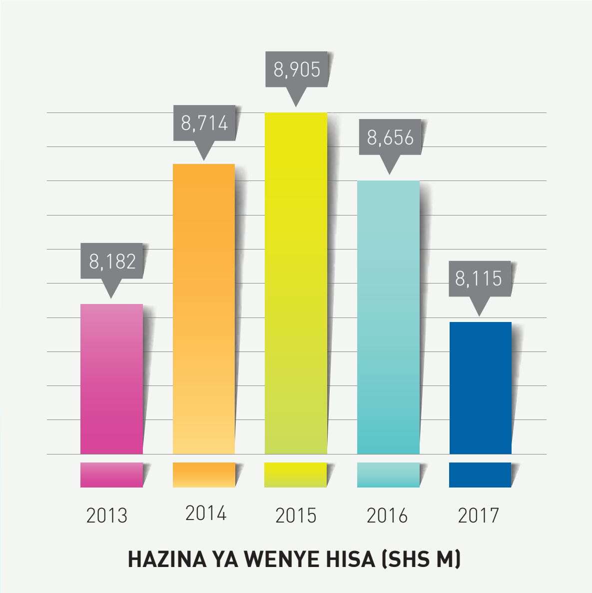
VIDOKEZO VYA MATOKEO

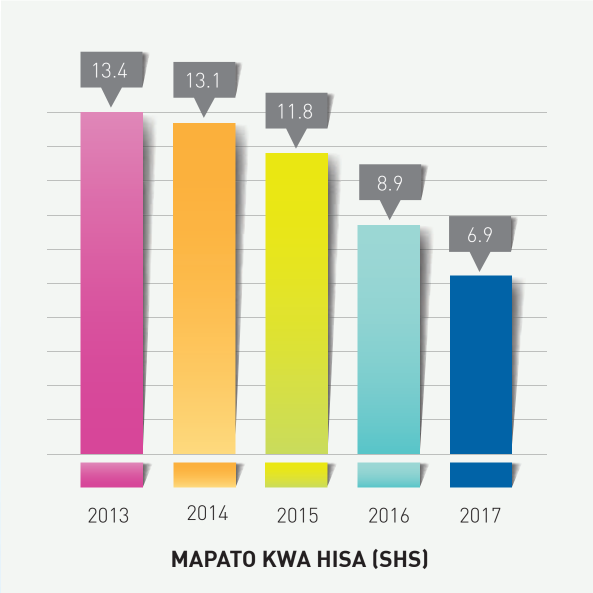


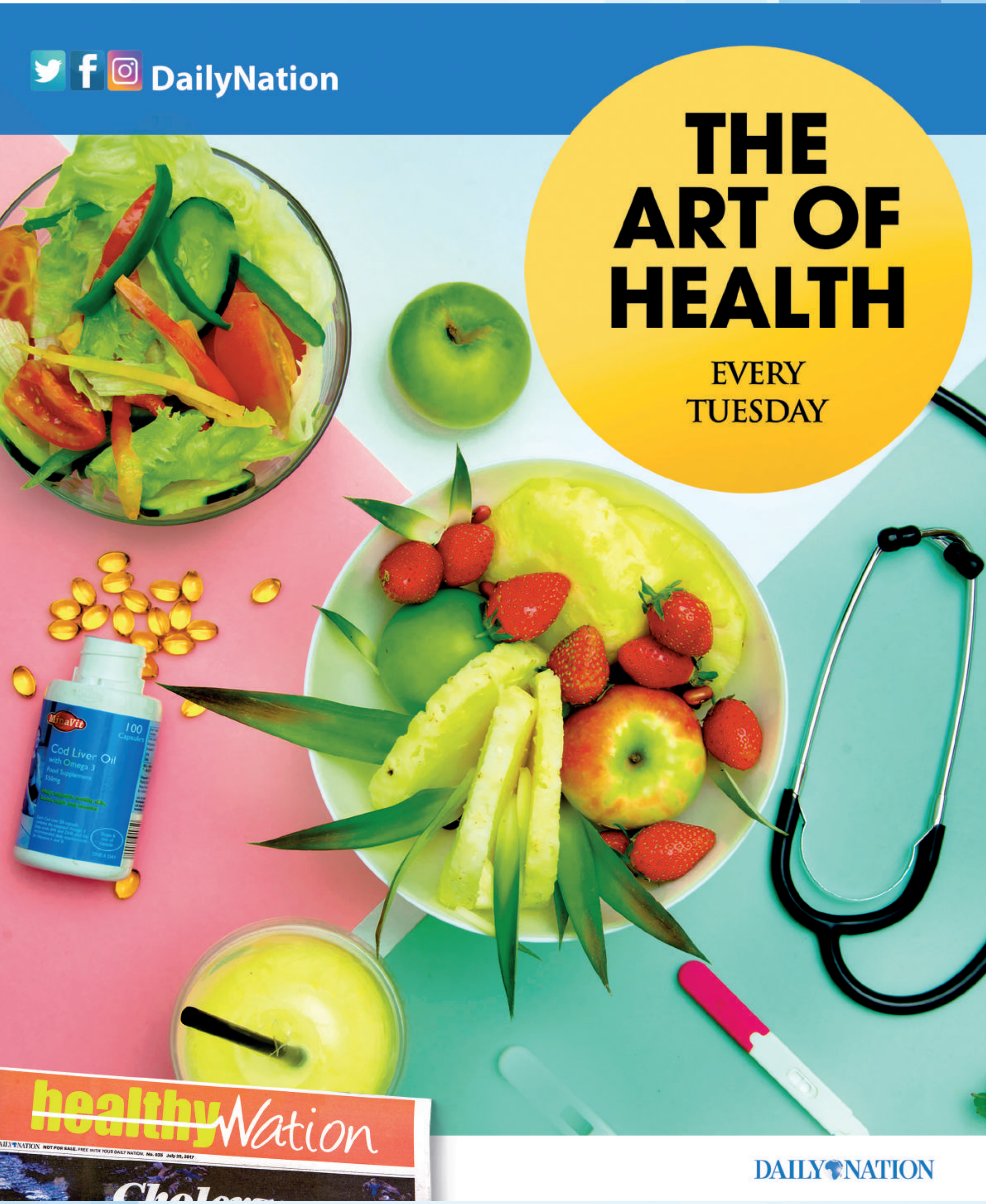











DailyNation
THE ART OF HEALTH
EVERY TUESDAY
Cod Liver Oil
healthyNation
DAILY NATION

CHAIRMAN'S & GROUP C.E.O'S STATEMENTS

“NMG is committed to being comprehensive and accurate in content. Our constant objective is to ascertain and verify the truth of what we publish insofar as this can be established.”

CHAIRMAN'S STATEMENT

Dr. Wilfred D. Kiboro

"As we seek to positively influence society, we shall continue to be guided and to stand by the values of truth, independence, fairness, balance and accuracy."

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, 2017.

But before I do that, it is important that I address a matter that is critical to the core of who we are as a media group. Over the past few months the Nation Media Group has come under scrutiny on our core values, more specifically our independence, following a grueling, bruising and prolonged General Election in Kenya. It is necessary that I re-emphasize what we recently reaffirmed publicly our core values. NMG was founded on the bedrock of a set of core values to espouse independent voices, diversity and freedom of expression. These values were developed, through a process of public participation leading to their adoption by the board and the subsequent publication of the editorial policy guidelines.

Central to these values and the purpose for our establishment, is 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. As we seek to positively influence society, we shall continue to be guided and to stand by the values of truth, independence, fairness, balance and accuracy.

Because of our leading position in the industry and refusal to pander to partisan whims, we have and will from time to time come under attack by interest groups attempting to undermine our credibility. We pledge to all our stakeholders that we shall remain strong, independent, steadfast and true to our values.

ECONOMIC AND POLITICAL ENVIRONMENT

The year 2017 witnessed sluggish growth across the East African region. Kenya's GDP decelerated from 5.8% to 4.9%, while Uganda's GDP also declined from 4.8% to 4.0%.Tanzania's GDP rate also declined to 6.6% from the previous year's 7.2% and Rwanda's GDP reduced to 4% from 6.4%. The regional economies continued to be vulnerable to both external and domestic conditions, such as the decline in private sector access to credit, adverse weather conditions that negatively impacted agricultural production and regional developments, such as political uncertainty around the Kenyan General Elections, that led to a reduction in trade and investment activities.

Businesses in the region bore the brunt of the difficult year recording reduced profits and several public listed companies issuing profit warnings.

FINANCIAL PERFORMANCE

The Group weathered the tough business environment in the region to post a total comprehensive income of Shs 1.4 billion, which was 17.4% lower than the previous year.

The decline in performance was primarily due to the shortfall in revenue, which dropped by 6.2% to Shs 10.6 billion from Shs 11.3 billion realised in 2016. This shortfall was due to reduced advertising volumes and deterioration in the credit quality across the Group, as a result of delayed payments particularly from the Kenyan government. However, the impact of the adverse business environment on the performance, was mitigated by a reorganisation of operations and continued cost management initiatives.

DIVIDENDS

The Directors recommend the payment of a final dividend of Shs 7.50 per share (300%) on the issued share capital as at 31st December 2017, which, together with the interim dividend of Shs 2.50 per share (100%) paid on 30th September 2017, makes a total of Shs 10.00 per share (400%) in respect of the year ended 31st December 2017 (2016: Shs 10.00 per share). The dividend will be paid less withholding tax where applicable on or about 31 July 2018, to shareholders registered on the register of members at the close of business on 14 June 2018. The register of members will be closed from 18 to 22 June 2018, both dates inclusive.

SHARE PRICE AND MARKET CAPITALIZATION

The NMG share price bounced back from the previous year and performed well in the wake of political uncertainty associated with the Kenyan General Election. The share price rallied to close the year at an average of Shs 116, representing a gain of 25% between January 2017 and December 2017 and 57% from the lowest price in the year. The Nairobi Securities Exchange (NSE) market was generally subdued across the board. The Group's market capitalization was Shs 21.9 billion as at 31st December 2017.

BUSINESS ENVIRONMENT

The Group's print and broadcasting platforms in Kenya delivered a balanced and objective elections coverage. *NTV Kenya* was recognised by the European Union Election Observer Mission as the most equitable and balanced television channel in the coverage of the elections, and I congratulate the management and staff for this achievement. However, we witnessed an affront on press freedom when the government shut down four private television broadcasting stations including *NTV* for one week. The Group will continue to engage the government to safeguard media freedom and independence and uphold the public's right to information.

In Tanzania, the enactment of the Media Services Act that restricts foreign ownership in a print media enterprise to 49%, poses a challenge to the Group, but the Group has taken steps to comply with the law.

INVESTMENTS

NMG invested in a new digital publishing system, Newscycle Solutions, at a cost of Shs 150 million. Newscycle Solutions, a first in Africa, is a state-of-the-art news digital publishing system. It is used by over 70 per cent of the world's largest news media companies and will enable NMG to exploit and optimise our media assets across all platforms. More specifically it will enhance and redefine content management including convergence, advertising and subscription management, as well as mobile solutions. Additionally, the system will allow us

CHAIRMAN'S STATEMENT (CONTINUED)

develop new revenue streams while securing our current print and broadcasting businesses in a more efficient and effective manner.

SUSTAINABILITY AGENDA

The Group has embarked on a new sustainability strategy with the objective of building one strong signature initiative, focusing on education and more particularly literacy. We have partnered with USAID to support Tusome (a Government of Kenya Programme), a literacy programme to expand access to reading material to the more than 22,000 public primary schools as its signature initiative. The partnership will entail NMG printing supplementary reading material; developing partnerships with like-minded institutions; and generating publicity to entrench a reading culture in the region. We shall also continue to support other interest areas in health, environment, agriculture and encourage community partnerships.

To develop young readers, in 2017, we enrolled 152 schools through partnerships and provided approximately 62,000 pupils with access to newspapers each week. As a result, NMG was recognised in the Think Business Awards as the Best Company in Sustainable Corporate Responsibility.

In Uganda, we undertook health related initiatives by organizing a health camp in the month of May 2017, as part of Mother's Day celebrations. The medical camp ran once a week for three weeks offering services such as breast cancer screening, full body and dental checkups.

In Tanzania, our female staff marked the international women's day by paying a visit to the wife of Mr. Azory Gwanda, a journalist who went missing over 150 days ago. MCL staff wanted to show support to Anna Panon by celebrating this day with her.

EDITORIAL POLICY AND GUIDELINES

We believe that the principles of independence, fairness, truth, accuracy and balance, as espoused in our editorial policy, are key to promoting the democratic space, whilst being mindful of the impact that information in the public space plays in shaping opinions. In this era of fake news, there is still need for credible and authenticated news. We shall continue being the most trusted news source. We continue to invest in training our journalists to ensure balanced reporting and the board continues to work closely with management to ensure that reporting is balanced and adheres to the editorial policies.

BOARD CHANGES

Mr. Gerard Wilkinson and Mr. Richard Dowden both retired from the board during the year. Mr. Wangethi Mwangi, who was previously the Group's Editorial Director, was appointed to the board, which will immensely benefit from his more than 30 years of journalism experience. Mr. Louis Otieno, who is the Director, Corporate Affairs, Microsoft 4Afrika at Microsoft, was appointed to the board and brings with him a wealth of experience in the technology sphere.

OUR PEOPLE

We remain committed to develop, nurture and enhance the skills of our people by investing in their trainings both locally and internationally. We are glad to see the impact of this in our improved journalism and the innovations in our content offerings.

The Group underwent a reorganisation that necessitated the convergence of our operations in line with the Group's long-term commitment to build a sustainable and profitable business. The benefits of this exercise have already started coming through.

LOOKING AHEAD

We are cognisant that legacy media platforms will continue to be under pressure from new age media and in the wake of rapidly changing consumer habits. The long term sustainability of our business therefore necessitates us to change and adapt to meet the customers' requirements and our focus and investments will be directed towards this area. The board is optimistic the Group will continue to develop innovative products that are relevant to consumers. We are satisfied with the implementation of the mobile-first strategy and I am glad we are already seeing how the growth of digital has started playing a significant role in the revenues of the business. The company will continue to focus on implementation of the strategy and is looking at future investments to develop innovations and new revenue streams to grow our business.

The Board reassures our shareholders that we are committed to deliver on our objective of being the leading, profitable and most trusted media house in this region.

I take this opportunity to thank my fellow directors, particularly Mr. Gerard Wilkinson, who served the Board for over 20 years and Mr. Richard Dowden for their contribution. I would also like to express my sincere gratitude to the management and staff of NMG, our business partners, customers and other stakeholders for their unwavering support and commitment over the year.

Asanteni sana.

Dr. Wilfred D. Kiboro
Chairman

TAARIFA YA MWENYEKITI

Dkt. Wilfred D. Kiboro

> "Huku tukiendelea kuchochea mabadiliko ya kijamii kwa wema, tutaendelea kuongozwa na kusimama na thamani za ukweli, uhuru, kutopendelea, usawa na usahihi."

TAARIFA YA MWENYEKITI

Wapendwa wadau,

Kwa niaba ya Bodi ya Wakurugenzi, ninaona fahari kuu kuwasilisha kwenu matokeo ya kifedha ya Shirika hili ya mwaka uliomalizikia tarehe 31 Desemba 2017.

Lakini kabla ya kufanya hivyo, ni muhimu nizungumzie suala ambalo ni muhimu zaidi kwetu sisi kama shirika la habari. Katika miezi kadhaa iliyopita, kampuni ya Nation Media Group (NMG) siku hizi imekuwa ikiangaziwa kwa karibu sana hasa kuhusiana na thamani zake kuu, kuhusu uhuru wetu, kutokana hasa na Uchaguzi Mkuu nchini Kenya uliokuwa na ushindani mkali, ukajaa majeraha na kudumu kwa muda mrefu. Ni muhimu nisisitize jambo ambalo hivi majuzi tuliradidi waziwazi kama thamani zetu kuu. NMG ilianzishwa kwa msingi wa thamani kuu kadhaa ili kuiwezesha kutekeleza jukumu lake kama chombo huru, chenye mawazo mapana na kinachowezesha uhuru wa kusema. Thamani hizo zilibuniwa, kupitia harakati ya kushirikisha umma na hatimaye kukumbatiwa kwazo na bodi kabla ya kuzichapisha kwenye muongozo wa sera za uhariri.

Kuu kati ya thamani hizi na sababu ya kuanzishwa kwetu, ni madhumuni ya kuwa mshirika anayeweza kuaminika katika demokrasia zinazoendelea kuchipuka Afrika, kielelezi cha mwananchi wa kawaida katika mtagusano wake na serikali zilizopo madarakani, kipaza sauti cha utawala wa sheria kuhusu haki za binadamu, na mtetezi mkuu wa mfumo wa uchumi wa soko huru. Maazimio haya hayajabadilika kwa miaka mingi. Huku tukiendelea kuchochea mabadiliko ya kijamii kwa wema, tutaendelea kuongozwa na kusimama na thamani za ukweli, uhuru, kutopendelea, usawa na usahihi.

Kutokana na nafasi yetu kama viongozi katika sekta hii na kukataa kwetu kulemewa na maslahi ya kuegemea upande mmoja, tumewahi na tutaendelea kujipata tukishambuliwa na makundi yenye maslahi ya kibinafsi yanayojaribu kudunisha sifa yetu. Tunaahidi wadau wetu wote kuwa yutaendelea kubakia imara, huru, wapevu na wanaotii thamani zao.

MAZINGIRA YA KIUCHUMI NA KISIASA

Mwaka wa 2017 ulishuhudia ukuaji wa kujikokota kote katika ukanda wa Afrika Mashariki. Kiwango cha Ukuaji wa Mapato ya Kitaifa kwa mwaka nchini Kenya (GDP) kilishuka kutoka asilimia 5.8% hadi 4.9%, huku ukuaji huo nchini Uganda pia ukidorora kutoka 4.8% hadi 4.0%. Kasi ya ukuaji wa Tanzania pia ilipungua hadi 6.6% kutoka 7.2% mwaka uliotangulia, nayo ya Rwanda ikapungua hadi 4% kutoka 6.4%. Chumi za ukanda huu ziliendelea kujipata katika hatari dhidi ya hali za kitaifa na kimataifa, kama vile upunguaji wa uwezo wa sekta ya kibinafsi kupata mikopo, hali mbaya za hewa ambazo zilidhuru uzalishaji wa vyakula pamoja na ustawi wa ukanda, hofu ya kisiasa ambayo iliyosababishwa na Uchaguzi Mkuu nchini Kenya ambayo pia ilichangia katika kupungua kwa shughuli za kibiashara na uwekezaji.

Biashara katika ukanda huu ziliathiriwa na mwaka huo mgumu ambapo zilisajili faida zilizopungua na hata kampuni kadhaa zilizokuwa zimeorodheshwa kwenye soko la hisa zikatoa tahadhari ya kupungua kwa faida.

MATOKEO YA KIFEDHA

Kampuni hii ilihimili mazingira magumu ya kibiashara katika ukanda huu hadi ikarekodi faida baada ya ushuru ya Ksh1.4 bilioni, ambayo ni sawa na kupungua kwa 17.4% ukilinganisha na mwaka uliotangulia.

Kushuka huku katika matokeo kimsingi kulitokana na kupungua kwa mapato, ambayo yalipungua kwa 6.2% hadi Sh10.6 bilioni kutoka kwa Sh11.3 bilioni zilizopatikana mwaka 2016. Kushuka huku kulitokana na kupungua kwa matangazo ya biashara na kudhoofika kwa hali ya kifedha kote katika shirika hili, kutokana na kucheleweshwa kwa malipo hasa kutoka kwa serikali ya Kenya. Hata hivyo, athari ya mazingira hayo mabaya ya kibiashara kwenye matokeo yalififishwa na mabadiliko katika utendakazi na mikakati mbalimbali ya kudhibiti gharama.

MIGAO

Wakurugenzi wakuu wanapendekeza malipo ya mwisho ya mgao wa Sh7.50 kwa kila hisa (300%) kwenye hisa ya mtaji kufikia tarehe 31 Desemba 2017, ambayo, pamoja na mgao wa muda wa Sh2.50 kwa kila hisa (100%) iliyolipwa mnamo 30 Septemba 2017, inafikisha jumla ya Sh10.00 kwa kila hisa (400%) tukirejelea mwaka uliokamilisha 31 Desemba 2017 (2016: Sh10.00 kwa kila hisa). Mgao huo utalipwa baada ya kuondoa ushuru wa kushikilia pale panapofaa hivyo tarehe au karibu na 31 Julai 2018, kwa wenyehisa wote waliosajiliwa katika sajili ya wanachama kabla ya saa kumaliza kwa saa za kikazi hapo Juni 14 2018. Sajili ya wanachama itafungwa kuanzia 18 hadi 22 Juni 2018, siku hizo mbili zikijumuishwa.

BEI YA HISA NA THAMANI YA MTAJI WA KAMPUNI

Bei ya hisa ya NMG iliimarika tena ukilinganisha na mwaka uliotangulia na hivyo ikafanya vyema licha ya hofu ya kisiasa iliyohusishwa na Uchaguzi Mkuu wa Kenya. Bei ya hisa iliimarika na kufunga mwaka kwa Sh116 kwa wastani, hii ikiwa ni ongezeko la 25% kati ya Januari 2017 na Desemba 2017, na 57% ukilinganisha na bei ya chini zaidi katika mwaka huo.

Soko la Hisa la Nairobi (NSE) kwa jumla lililemewa katika masuala yote. Thamani ya Hisa za Shirika hili ilikuwa Sh21.9 bilioni kufikia 31 Desemba 2017.

MAZINGIRA YA KIBIASHARA

Vitengo vya magazeti na utangazaji vya Shirika hili nchini Kenya vilijizatiti kuangazia uchaguzi kwa njia ya usawa bila mapendeleo. *NTV Kenya* kwa mfano ilitambuliwa na Ujumbe wa Waangalizi wa Uchaguzi kutoka katika Muungano wa Ulaya kama kituo bora zaidi cha runinga kilicho na usawa zaidi na kisichopendelea katika upeperushaji matangazo ya uchaguzi, na ninahongera usimamizi wake pamoja na wafanyakazi wote kwa mafanikio hayo. Hata hivyo, tulishuhudia kikwazo kwenye uhuru wa vyombo vya habari pale serikali ilipofunga runinga nne za kibinafsi ikiwemo *NTV* kwa muda wa wiki moja. Shirika hili litaendelea kushauriana na serikali katika kulinda uhuru wa vyombo vya habari na kudumisha haki ya umma kupata habari.

Nchini Tanzania, utekelezaji wa Sheria ya Huduma za Vyombo vya Habari ambayo inaweka vikwazo kwa kiwango cha umiliki wa kigeni hadi 49%, inazua changamoto kwa Shirika hili lakini tayari shirika hili limeshapiga hatua ya kutii sheria hiyo.

UWEKEZAJI

NMG iliwekeza katika mfumo wa uchapishaji kidijitali, Newscycle Solutions, kwa kima cha Sh150 milioni. Newscycle Solutions,

TAARIFA YA MWENYEKITI (INAENDELEA)

ikiwa ya kwanza barani Afrika, ni mfumo wa kisasa wa uchapishaji habari kidijitali. Inatumika katika zaidi ya asilimia 70 ya kampuni kubwa za habari duniani na itawezesha NMG kuvitalii na kutumia vyema vyombo vyetu vya habari katika vitengo vyetu vyote. Hasa itawezesha kuimarisha usimamizi wa habari ikiwemo uhulutishaji wa shughuli za habari (convergence), matangazo ya biashara na usimamizi wa hatua za kujisajili kwa huduma zetu pamoja na kurahisisha upashaji habari mlengwa akiwa popote pale. Kadhalika, mfumo huu utatuwezesha kukuza njia mpya za mapato huku tukitunza biashara yetu ya sasa ya magazeti na utangazaji katika njia bora na fanifu zaidi.

AJENDA ENDELEVU

Shirika hili limeegemea kwa mikakati mipya ya kudumisha kwa madhumuni hasa ya kubuni mradi mmoja mkuu, unaolenga hasa elimu na hasa masomo. Tumeingia ushirikiano na USAID ili kusaidia 'Tusome (Mpango wa Serikali ya Kenya) ambao ni mradi wa kielimu unaolenga kupanua ufikiaji vifaa vya kusoma kwa zaidi ya shule 22,00 za msingi kama mradi mkuu. Ushirikiano huu utahusisha NMG katika kuchapisha vifaa/vitabu vya ziada vya kusoma; kukuza ushirikiano na taasisi zenye mawazo sawa na yetu; kufanikisha uchapishaji ili kukitisha desturi ya kusoma katika eneo hili. Pia tutaendelea kusaidia fani nyingine muhimu kama vile afya, mazingira, kilimo na kuhimiza ushirikiano wa kijamii.

Ili kuwakuza wasomaji wachanga, katika mwaka 2017, tulisajili shule 152 kupitia ushirikiano na kuwawezesha angaa wanafunzi 62,000 kupata magazeti kila wiki. Kwa sababu hiyo, NMG ilitambuliwa katika hafla ya tuzo za Think Business Awards kama kampuni Bora zaidi katika kitengo cha Shirika lenye Jukumu Endelevu kwa Jamii.

Nchini Uganda, tuliandama miradi inayohusiana na afya kwa kuandaa kambi kuhusu afya mnamo Mei 2017, kama sehemu ya Sherehe ya Siku za Akinamama. Kambi hiyo ya kimatibabu iliyokuwa ikifanyika mara moja kwa wiki kwa muda wa majuma matatu ilitoa huduma kama vile uchunguzi wa saratani ya matiti, na uchunguzi wa kimatibabu wa mwili mzima na meno.

Nchini Tanzania, wafanyakazi wetu wa kike waliadhimisha siku ya wanawake duniani kwa kutembelea mke wa Bw. Azory Gwanda, mwanahabari aliyetoweka zaidi ya siku 150 zilizopita. Wafanyakazi wa MCL walinuia kumsaidia Anna Panon kwa kusherehekea siku hii nao.

SERA NA MUONGOZO WA UHARIRI

Tunaamini kuwa kanuni ya uhuru, kutopendelea, ukweli, usahihi na usawa, kama ilivyoorodheshwa kwenye sera yetu ya uhariri, ni muhimu katika kukuza mazingira ya kidemokrasia, huku tukiendelea kuzingatia athari ambayo habari zilizo katika umma huwa nayo katika kuelekeza maoni. Katika enzi hii ya habari feki, pana haja ya kuwepo habari zinazoaminika na sahihi. Tunataka kuendelea kuwa chanzo cha habari cha kuaminika zaidi. Tutaendelea kuwekeza katika utoaji mafunzo kwa wanahabari wetu ili kuhakikisha kuwa kuna uchapishaji/utangazaji wa habari zenye usawa nayo bodi hii inaendelea kushirikiana na usimamizi huu ili kuhakikisha kuwa ripoti za habari zina usawa na zinazingatia sera za uhariri.

MABADILIKO KATIKA BODI

Bw. Gerard Wilkinson na Bw. Richard Dowden walistaafu kutoka kwenye bodi katika mwaka huo. Bw. Wangethi Mwangi, ambaye hapo awali alikuwa Mkurugenzi Mkuu wa Uhariri wa Shirika hili, aliteuliwa kwenye bodi, ambayo itanufaika pakubwa kutokana na ujuzi wake wa zaidi ya miaka 30 katika uanahabari. Bw. Louis Otieno, ambaye ni Mkurugenzi Mkuu, Masuala ya Mawasiliano ya Shirika, wa Microsoft 4Afrika katika kampuni ya Microsoft, aliteuliwa kwenye bodi na analeta ujuzi mwingi katika masuala ya teknolojia

WATU WETU

Tunabaki kujitolea kuimarisha, kulea na kukuza maarifa ya watu wetu kwa kuwekeza katika mafunzo yao kwa viwango vya kitaifa na nje ya nchi. Tuna furaha kuona athari ya hatua hii katika uanahabari wetu ulioimarika na bunifu katika habari zetu. Shirika hili lilifanyiwa uratibishaji mpya ambao uliwezesha ushirikishaji wa shughuli zetu (convergence) kulingana na maazimio ya muda mrefu ya shirika hili ambayo ni kujenga biashara endelevu na yenye faida. Manufaa ya hatua hii tayari yameanza kuonekana.

MUSTAKABALI

Tunafahamu kuwa vyombo maarufu vya habari vitaendelea kukumbwa na shinikizo kutoka kwa mtindo mpya wa vyombo vya habari na ukweli wa mabadiliko ya kasi katika mienendo ya wateja. Ili kudumisha kwa muda mrefu biashara yetu, kwa hivyo unatuhitaji kubadilika na kukumbatia mabadiliko ili kutosheleza mahitaji ya wateja wetu na hivyo basi uzingativu na uwekezaji wetu utaelekezwa katika jambo hili. Bodi hii ina matumaini sufufu kuwa Shirika hili litaendelea kuibuka na bidhaa bunifu ambazo zinawafaa wateja. Tumeridhika na utekelezaji wa mkakati wa 'simu ya mkononi kwanza' na hivyo basi nina furaha kwamba tumeanza kushuhudia jinsi ukuaji wa kitengo cha dijitali ulivyoanza kutekeleza wajibu mkubwa katika mapato ya biashara hii. Kampuni hii itaendelea kuzingatia utekelezaji wa mkakati huo na tunatumai uwekezaji wa siku zijazo utaelekezwa katika ustawishaji ubunifu na njia mpya za mapato ili kukuza biashara yetu.

Bodi hii inawahakikishia wenyehisa wetu kuwa tumejitolea kutimiza malengo yetu ya kuwa shirika la habari linaloongoza, lenye faida kubwa na linaloaminika zaidi katika ukanda huu.

Ninachukua fursa hii kuwashukuru wakurugenzi wenzangu, hasa Bw. Gerard Wilkinson, ambaye alihudumu kwenye Bodi kwa zaidi ya miaka 20 na Bw. Richard Dowden kwa mchango wao. Ningependa pia kuwashukuru kwa moyo wa dhati wasimamizi na wafanyakazi wa NMG, washirika wetu wa kibiashara, wateja na wadau wengineo kwa msaada wao thabiti na kujitolea kwao katika mwaka mzima.

Asanteni sana.

Dkt. Wilfred D. Kiboro
Mwenyekiti

GROUP C.E.O. STATEMENT

Mr. Stephen Gitagama

Financial Performance

The digital division posted growth

42%

I am pleased to present the Group's audited financial results for the year ended 31st December 2017. The year presented a number of significant challenges for businesses in the East African region. The tough business environment experienced was precipitated by both domestic and external factors. These included a prolonged electioneering period in Kenya, which led to political uncertainties and slowed down the pace of private sector investment activities; adverse weather conditions which affected food production adversely; reduced credit to the private sector following interest rate capping legislation in Kenya; delayed settlement of debt owed by Government; and a hostile regulatory environment. The adverse macro environment led to the restructuring of a number of businesses, with others discontinuing their operations, resulting unfortunately in job losses. The media industry was similarly impacted with a number of them, including ourselves, having to re-organise operations and reinforcing stringent cost management initiatives.

Notwithstanding the challenges mentioned above, the Group registered progress in its strategic journey of transforming into a 21st century digital content company. Several milestones including converging of the newsrooms, launching of new innovative products like Nation Kiki, Nation News App, among others, and developing new revenue streams in gaming and events were actualised, while ensuring our current print and broadcasting businesses were secured. We remain committed to ensuring that we keep up with and address the taste and preferences of the new age consumer through investment in innovation. We recognise that the new space we are operating in will necessitate us to explore various approaches that will enable the Group to deliver not only for today, but reposition the company to excel well into the future.

I am delighted to report that the Nation Media Group family maintained its dedication to excellence throughout this period of change, with the organization and its staff winning 29 awards in Kenya, 4 in Tanzania and 23 in Uganda. We are confident of the promise that the future holds for the Group and are continuously striving to ensure that we deliver on our objective, of positively influencing the societies we serve sustainably and profitably.

FINANCIAL PERFORMANCE

The Group posted a decline in its profit after tax compared to the previous year. The shortfall was attributable to reduced advertising volumes resulting from depressed activities by corporate clients, who were particularly affected by the prolonged election period. The performance was further impacted by deterioration in the credit quality across the Group, particularly delayed payments from the Kenyan government.The impact of the adverse business environment on the performance, was mitigated by a re-organisation of operations and cost management.

The Group's turnover declined by 6.2% to Shs 10.6 billion, while the total comprehensive income at Shs 1.4 billion, were 17.4% lower than the previous year. The results include a one-off severance payment of Shs 259.0 million to laid off staff.

The Group's broadcasting units, *NTV Kenya* and *NTV Uganda*, grew their revenue by 12% and 5% respectively, buoyed by strong programming and production of content which was well received by their audiences. *Daily Nation* and *Business Daily* in Kenya; *The Citizen* and *Mwananchi* newspapers in Tanzania and the Group's regional publication *The EastAfrican* recorded drops in their revenue and operating results.

The Digital Division posted strong results registering a growth of 42% to drive it's contribution to the Group's operating income to 4% in 2017 up from 1.5% in 2015.

NEW REVENUE STREAMS AND INNOVATIONS

The Group sought to leverage on its global, continental, regional and local strengths to establish a thought leadership forum - the Nation Leadership Forum. The high profile, high impact forum seeks to provoke discourse, encourage dialogue, shape opinions and policy direction, and propose practical solutions to issues critical to the development and growth of the country.

The initiative was launched in Kenya and is planned for roll out across the region in the year ahead. The forum has strengthened NMG's position as an agenda setter, while expanding its revenue base.

We continued to focus on our mobile-first strategy through new digital innovations. These included the NewsPlex, VideoHub, Nation News App, Habari app, and Nation Kiki. This resulted in the Group's audience footprint reaching 32 million users. The Digital Division continued to grow for two years in a row. Product development work on the newly acquired *Kenya Buzz* yielded early gains both in the reach and revenue and management is exploring expansion of the brand's market to Tanzania and Uganda.

ELECTION COVERAGE

The philosophy and character of Nation Media Group's news and information outlets are shaped by our editorial policy guidelines and objectives. This policy guided the company during the coverage of the General Elections in Kenya, ensuring that the platforms remained objective and produced high quality content leading to The European Union Election Observer Mission ranking *NTV* as the most equitable local channel that provided more diverse and balanced coverage during the elections. We will continue to be steadfast and stay true to our core values as the trusted source of information, education and entertainment.

CULTURE TRANSFORMATION

We continue rolling out the cultural change programme that is a key component of our strategy. This entailed training culture champions during the year in various departments; the leadership team driving culture through various initiatives; and changing employee performance indicators to align them to the Group's corporate values. We recognise that this programme will take some time to realise the full benefits and we are committed to work together as a team to embed our cultural values in our everyday activities and decision-making.

GROUP C.E.O. STATEMENT (CONTINUED)

PRODUCT DEVELOPMENT

Business Daily was re-launched in March 2017, with improved design and content to give the reader a better experience through the use of infographics and data.

Taifa Leo increased it's brand visibility and awareness of the newspaper's content which subsequently increased consumer online engagement by 35%. The newspaper continued to recruit young readers through an Insha campaign, supported by an aggressive school recruitment drive under the Newspapers in Education (NiE) programme and monthly regional segmented participation.

MwanaSpoti and *The Citizen* attracted new readers through redesigning of the newspapers, giving them a fresh new look and feel for an improved reader's experience. *The Citizen's* news content is geared towards more business content while, *Mwanaspoti's* focus is on sports and entertainment from across all regions in Tanzania.

In line with the Group's digital strategy, MCL launched the first digital studio in Tanzania. The studio has enabled MCL produce more digital content to increase client engagement and drive audience growth. The digital video content includes *MCL Spoti*, *MCL Matukio*, and *MCL Magazetini*. All these allow the consumer to access the content through different online platforms.

In Uganda, *NTV* and *Spark TV* launched eight new shows to increase viewership and promote local content.

Daily Monitor held a climate change symposium in partnership with the Ministry of Water and Environment. This was the first climate change symposium carried out in Uganda and it targeted policy makers, journalists, and government and donor agencies to help mitigate climate change.

Daily Monitor newspaper also launched the first ever Farm Clinic in East, West and Central parts of Uganda in partnership with the National Agricultural Semi-Arid Research Resources Institute (NARO), that attracted close to 2,650 participants who were educated on crop and livestock farming.

A number of digital social media engagement campaigns were undertaken throughout the year. The highlight of which was the Nation Leadership Forums (#NMGLeadershipForum) which achieved 100+ million impressions.

MyNetwork won the WAN-IFRA award for audience engagement while *Business Daily* newsletter powered by Machine Learning, enabled sending personalized news reaching over 14,300 subscribers.

2018 STRATEGIC PRIORITIES

Whereas 2017 was a year of consolidating the foundations set for the new strategic direction, 2018 will be a year to pursue value benefits from implementation of the new strategy, anchored on driving growth through non-traditional revenue sources and entrenching an innovation mindset.

This will involve greater focus on innovations for new revenue streams, in areas such as music, gaming, online subscriptions, events and big data. Our approach will be to develop these new avenues of revenues either alone or by entering into strategic partnerships with entities that are trend setters or market leaders in our key focus areas.

We believe that these new revenue streams will be key to mitigating the Group's dependency on print media, while ensuring a sustainable and profitable business going into the future.

In response to the rapidly changing consumer habits, we will develop products to meet our consumers at their point of need. Key to this is to ensure we deliver a 360-degree consumer engagement – on the digital, broadcasting and print platforms.

Further, efforts will be put into improving the quality of our current products alongside investment in the new media.

The Group's delivery of the strategic objectives will be driven by a suitably qualified and well motivated workforce. To this end the Group will continue to aggressively pursue attracting and developing and retaining talent.

The Group believes in meritocracy and will favour promotion from within its talent pool for various positions that arise in the organisation, based on individual performance and potential.

The culture transformation programme will continue with our emphasis being, to ensure that employees put the consumer at the centre of everything that we do.

We will also endevour with cost and debt management initiatives, with a view to improving our operating margins.

The contributions of Nation Media Group's various stakeholders has ensured that strong performance is achieved and I would like to thank you and our esteemed readers, viewers and advertisers for the support and loyalty, which have been instrumental in reinforcing the Group's position as the market leader in Kenya and East & Central Africa.

I wish to express my sincere gratitude to the Board of Directors for the guidance accorded to the management and staff as well as to the Executive team and the staff members across the region for their diligence, and unwavering support that has ensured that we deliver today as we reposition the Group for tomorrow. I look forward to your support as we instill confidence in the Group as a sustainable partner of choice, as we seek to achieve our performance objectives for the year ahead.

Stephen Gitagama
Group Chief Executive Officer

TAARIFA YA AFISA MKUU MTENDAJI WA SHIRIKA

Mr. Stephen Gitagama

MATOKEO YA KIFEDHA

Kitengo cha dijitali kilishuhudia ukuaji ya

42%

TAARIFA YA AFISA MKUU MTENDAJI WA SHIRIKA (INAENDELEA)

Nina furaha ya kuwasilisha kwenu matokeo ya kifedha yaliyokaguliwa ya mwaka uliomalizikia tarehe 31 Desemba 2017. Mwaka huo ulikumbwa na changamoto mbalimbali zilizoathiri biashara katika ukanda mzima wa Afrika Mashariki. Mazingira magumu ya kibiashara yaliyoshuhudiwa yalichangiwa na hali za ndani ya nchi na nyingine za nje. Hali hizi zilijumuisha kipindi kirefu cha uchaguzi nchini Kenya ambacho kilizua taharuki na hivyo basi kupunguza kasi ya uwekezaji hasa katika sekta ya kibinafsi; hali mbaya ya hewa ambayo iliathiri uzalishaji wa chakula; kupungua kwa fedha katika sekta ya kibinafsi kutokana na sheria ya kudhibiti viwango vya riba nchini Kenya; kuchelewa kulipwa kwa madeni hasa yanayodaiwa Serikali; na kanuni za mazingira magumu za kibiashara.

Mazingira haya magumu ya biashara yalilazimisha mashirika mengi kuratibisha upya biashara zao, huku baadhi ya mashirika hayo yakiamua kufunga, hali ambayo kwa bahati mbaya ilisababisha watu kupoteza kazi. Sekta ya uanahabari nayo haikusazwa kwani vyombo kadhaa vya habari, sisi tukiwemo, vikilazimika kuratibu upya utendakazi wake na kuanzisha mikakati madhubuti ya kudhibiti gharama.

Lakini licha ya changamoto hizo zilizotajwa hapo juu, Shirika hili lilipiga hatua katika mkakati wake maalum wa kubadilisha kampuni ile iwe ya kidijitali ili kujifungamanisha na maendeleo ya karne ya 21. Hatua mbalimbali zilipigwa ikiwemo kushirikisha shughuli zote za idara za uanahabari, kuzindua bidhaa bunifu kama vile Nation Kiki, programu ya habari ya Nation News App, miongoni mwa nyingine, na njia mpya za mapato katika bahati nasibu na kadhalika shughuli nyinginezo pia zilibuniwa huku tukihakikisha kuwa biashara yetu ya magazeti na utangazaji iko salama. Tunabaki kumakinika zaidi katika kuhakikisha kwamba tunaendeleza juhudi hizo na kutosheleza mahitaji ya kizazi kipya cha wateja kupitia uwekezaji katika ubunifu. Tunatambua kwamba nyakati mpya tunazofanya kazi kwazo zitatusukuma kuendelea kutalii mbinu mbalimbali zitakazowezesha Shirika hili kufanikiwa si tu kwa ajili ya leo lakini katika kuiweka kampuni kwenye mkondo wa kufaulu siku zijazo.

Ninaona furaha kutangaza kuwa familia ya Nation Media Group iliendelea kujitolea kwa dhamira ya kufaulu katika kipindi hiki chote cha mabadiliko, ambapo shirika zima na wafanyakazi wake walifanikiwa kushinda tuzo 29 nchini Kenya, 4 nchini Tanzania na 23 nchini Uganda. Tuna imani katika mustakabali wa Shirika hili na tunaendelea kujitahidi ili kuhakikisha kuwa tunafaulisha malengo yetu ya kuzifaa jamii ambazo tunahudumu siku zote na kuzifaidisha.

MATOKEO YA KIFEDHA

Faida ya Shirika baada ya ushuru ilishuka ukilinganisha na mwaka uliotangulia. Upungufu huo ulihusishwa na kupungua kwa matangazo ya kibiashara, hali inayotokana na kupungua kwa shughuli za mashirika ya kibiashara ambayo ni wateja wetu, na ambayo hasa yaliathiriwa na kipindi kirefu cha uchaguzi. Matokeo hayo yaliathiriwa zaidi na kupungua kwa kiwango cha pesa katika shirika lote, hasa kutokana na kuchelewa kulipwa na serikali ya Kenya. Athari ya mazingira magumu ya kibiashara kwa matokeo yetu ilififishwa na uratibishaji upya wa shuguli na usimamizi mzuri wa gharama.

Mapato ya jumla ya Shirika yalipungua kwa 6.2% hadi kufikia Sh10.6 bilioni, huku mapato baada ya kutoa gharama zote yakifika Sh1.4 bilioni, ikiwa ni 17% chini ya mapato ya mwaka uliotangulia. Matokeo haya yanajumuisha malipo ya mara moja ya waliostaafishwa ya Sh259 milioni.

Mapato ya kitengo cha utangazaji cha shirika hili; *NTV Kenya* na *NTV Uganda*, yalikua kwa 12% na 5% mtawalia, kutokana hasa na uundaaji mzuri wa vipindi vya kufurahisha ambavyo vilipokelewa vyema na watazamaji.

Magazeti ya *Daily Nation* na *Business Daily* nchini Kenya; magazeti ya TheCitizen na *Mwananchi* nchini Tanzania na gazeti la kimaeneo la Shirika *The EastAfrican* yalirekodi kushuka kwa mapato na matokeo ya uendeshaji shughuli.

Kitengo cha Dijitali kilisajili matokeo mazuri ya ukuaji wa 42% na kuchangia mapato ya Shirika kwa 4% mwaka 2017 kutoka kwa 1.5% katika mwaka 2015.

NJIA MPYA ZA MAPATO NA UBUNIFU

Shirika hili lilidhamiria kujiinua kimataifa, barani, kimaeneo na kitaifa kwa kuanzisha ukumbi wa uongozi – almaarufu Nation Leadership Forum. Ukumbi huu wa hadhi ya juu, wenye athari kubwa unalenga kuchochea mijadala, kuelekeza mitazamo na maoni na pia sera, pamoja na kupendekeza suluhu tekelezi kwa masuala changamano kwa ajili ya ustawi na ukuaji.

Mradi huu ulizinduliwa nchini Kenya na umepangiwa kuzinduliwa kote katika ukanda huu hivi karibuni mwaka huu. Ukumbi huu umeimarisha nafasi ya NMG kama mwelekezi nambari moja wa ajenda huku ukipanua kiwango cha mapato

Tunaendelea kuzingatia mkakati wetu wa rununu-kwanza kupitia kwa enzi mpya ya ubunifu wa kidijitali. Ubunifu huo unajumuisha programu za NewsPlex, VideoHub, Nation News App, Habari app, na Nation Kiki. Mkakati huu ulichangia washabiki wa Shirika kufikia watumizi milioni 32. Kitengo cha dijitali kiliendelea kukua katika mwaka wa pili mfululizo. Kazi ya ubunaji bidhaa kwenye jarida jipya lililonunuliwa la *Kenya Buzz* ilichangia mafanikio ya mapema katika kufikia wateja walengwa na mapato, nao usimamizi unajitahidi kupanua soko la bidhaa hiyo hadi Tanzania na Uganda.

UCHAGUZI ULIVYOANGAZIWA

Falsafa na mwenendo wa vitengo vya habari na matangazo, vya Nation Media Group vinaelekezwa na muongozo wetu wa uhariri na malengo yetu. Sera hii ilielekeza kampuni wakati wa uangaziaji wa Uchaguzi Mkuu nchini Kenya na kuhakikisha kuwa vitengo hivi vimesalia makinifu na kupeperusha/kuchapisha matangazo ya hali ya juu yaliyochangia Ujumbe wa Waangalizi wa Uchaguzi kutoka Muungano wa Ulaya (EU) kuorodhesha *NTV* kama kituo chenye matangazo sahihi zaidi kitaifa ambacho kilikuwa na matangazo fikra pana na yenye usawa zaidi wakati wa uchaguzi. Tutaendelea kuwa wamakinifu zaidi na waaminifu zaidi kwa thamani zetu kuu kama chanzo cha habari, elimu na burudani kinachoaminiwa zaidi.

MABADILIKO YA UTAMADUNI

Tunaendelea kuzindua mipango yetu ya mabadiliko ya utamaduni ambayo ni sehemu kuu ya mkakati wetu. Hii ilijumuisha kuwafunza viongozi wa kuendeleza utamaduni huu mwaka jana katika idara mbalimbali; Kikosi cha viongozi kinachosukuma mbele juhudi mbalimbali za desturi; na kubadilisha vigezo vya utendakazi wa wafanyakazi ili kuwawianisha na thamani ya za kikazi za Shirika. Tunatambua kuwa mpango huu utachukua muda fulani ili kuleta manufaa kamili nasi tumejitolea kushirikiana kama kikosi ili kukitisha thamani zetu za kitamaduni katika shughuli zetu za kila siku na katika ufanyaji maamuzi.

MAKUZI YA BIDHAA

Gazeti la Business Daily lilizinduliwa upya mwezi Machi na toleo la kipekee la kumpa msomaji matukio ya kipekee kupitia utumizi wa data, kuanzishwa.

TAARIFA YA AFISA MKUU MTENDAJI WA SHIRIKA (INAENDELEA)

Gazeti la Taifa Leo lilipanua upeo wake na umaarufu wa habari zake, hali iliyochangia ongezeko la watumizi wake mtandaoni kwa asilimia 35. Gazeti hili linaendelea kuwakuza wasomi wachanga kupitia shindano la kila mwezi la insha linalofadhiliwa chini ya mpango wa matumizi ya magazeti shuleni (Newspaper in Education).

Magazeti ya Mwanaspoti na *The Citizen* yanavutia wasomaji wageni kupitia muundo wao mpya unaoimarisha mtaguzo wa msomaji. Habari katika gazeti la The Citizen zinashirikisha biashara huku Mwanaspoti ikizamia sana katika spoti na burudani kutoka maeneo yote ya Tanzania.

Ili kuoana na mkakati wa kidigitali wa shirika la NMG, MCL ilizindua studio ya kwanza ya kidigitali nchini Tanzania. Hii imeiwezesha MCL kutoa kanda za video za kidigitali ambazo zimeongeza na kuimarisha mawasiliano na wateja. Video hizo ni MCL spoti, MCL matukio na MCL magazetini. Hizi zote zinawezesha wateja kufikia habari kupitia njia mbalimbali mtandaoni.

Nchini Uganda, *NTV* na *Spark TV* zilizindua vipindi vinane vipya ili kuongeza utazamaji na kuimarisha upokeaji wa habari za kimaeneo.

Gazeti la Daily Monitor liliandaa kongamano kuhusu mabadiliko ya hali ya anga kwa ushirikiano na wizara ya maji na mazingira. Hili lilikuwa kongamano la kwanza nchini Uganda na liliwalenga waundaji sera, wanahabari, serikali na wafadhili ili kusaidia kukabiliana na athari za mabadiliko ya hali ya anga.

Gazeti hilo pia liliandaa kliniki za kipekee katika maeneo ya Mashariki, Kati na magharibi mwa Uganda kwa ushirikiano na *Taasisi ya Kitaifa ya Utafiti wa Kilimo na Maeneo-Kame (NARO)* huku watu 2,650 waliohudhuria wakipata mafunzo ya kilimo shambani na ufugaji.

Kampeni nyingi kuhusu uhusiano kati ya habari za kidigitali na za mtandao ziliandaliwa kipindi chote cha mwaka huo. Kilele chake kilikuwa mkutano wa kitaifa wa viongozi (NMG Leadership Forum) uliopendwa na wanamitandao milioni 100.

Jarida la *MyNetwork* lilishinda tuzo ya WAN-IFRA kutokana na uhusiano na msomaji huku gazeti la Business Daily likifikia wasomaji 14,300 waliojisajili nalo.

MIKAKATI BUNIFU ZA KUPEWA UMUHIMU MNAMO 2018

Japo mwaka 2017 ulikuwa wa kuweka msingi kwa mbinu mpya, mwaka 2018 utakuwa wa kutekeleza mbinu zinazolenga kuongeza mapato kwa kutumia teknolojia za kisasa.
Fani kama michezo, muziki, kujisajili kwa programu za mtandao zinazogharimu pesa zinatarajiwa kuwa mtindo mpya unaoliletea Shirika fedha. NMG itaanzisha ushirikianowa dhati na kampuni zilizopata ufanisi kwa kutumia mitindo hiyo kujiendeleza na kuongeza mapato.
Njia hizi mpya za mapato zitaleta nafuu na kufanya kampuni isitegemee mapato yanayotokana na uchapishaji na mauzo ya magazeti pekee.

Kutokana na mabadiliko ya kila mara kwa watumiaji wa bidhaa, tutaimarisha bidhaa zetu ambazo ni muhimu kwa kuwahusisha watumiaji hao hasa katika masuala ya kidigitali, matangazo na uchapishaji.

Juhudi nyingi pia zitawekwa katika kuimarisha bidhaa zetu za kisasa pamoja na pia kuwekeza katika vyombo vipya vya habari.

NMG inatambua na kukuza talanta kwa hivyo itawapandisha vyeo wafanyakazi wanaobobea na kutia bidii wakiwajibikia kampuni.

Programu ya kukumbatia tamaduni mpya itaendelea huku tukisisitiza kwamba kila mfanyakazi anaweka maslahi ya wateja wetu mbele.

Pia tutaendelea na mbinu za kudhibiti matumizi ya fedha na madeni ili kuendesha shughuli zetu kwa njia inayostahili bila matatizo.

Ushirikiano na matokeo ya wadau wa NMG yamehakikisha kwamba tunaendelea kufanya vizuri na ningependa kuwashukuru wasomaji, watazamaji na wanaotupa matangazo ya kibiashara kwa juhudi zao za kutuunga mkono. Hawa wote wamesaidia kudumisha dhamira ya shirika letu ya kuongoza katika soko zima la Afrika Mashariki na Kati.

Ningependa kutoa shukrani zangu kwa bodi ya wakurugenzi kwa mwongozo walioupa usimamizi na wafanyakazi na pia wenzetu kutoka eneo zima kwa kutuunga mkono walivyofanya ili kuhakisha kwamba tunatimiza malengo yetu na kujitayarisha kuyakabili matarajio ya kesho.

Nataraji mtaniunga mkono tunapoendelea kujasiria shirika hili kama mshirika wa kupendwa tunapolenga kutimiza malengo ya mwaka ulio mbele yetu.

Stephen Gitagama
Afisa Mkuu Mtendaji Wa Shirika

GET NEWS IN THE PALM OF YOUR HAND

you have the flexibility

You can get the Daily Monitor Newspaper on your computer, tablet and smart phone. To get your epaper visit **http://epaper.monitor.co.ug** to subscribe today.

For more information
Email: digital@ug.nationmedia.com

MONITOR DIGITAL

Daily Monitor   @dailymonitor   www.monitor.co.ug

SUSTAINABILITY REPORT

"NMG supports and promotes the protection and conservation of the environment whilst promoting sustainable development. The Group also supports the most economically vulnerable members of the society through its various Corporate Social Responsibility Programmes."

SUSTAINABILITY REPORT

NMG was founded more than half a century ago, to give a voice to the voiceless, promote democracy and create a positive influence in society. Hence, it is the responsibility that we as a business, have towards the people of Kenya and the rest of East Africa, that has shaped the heritage of our company. In conducting our business, we strive to create a shared value not only for our shareholders, but also stakeholders through innovation.

This will ensure that NMG plays an intrinsic role in achieving the United Nations (UN) Sustainable Development Goal 4, of ensuring inclusive and quality education for all and to promote lifelong learning.

NMG will continue to support the other interest areas of Health, Environment and Community partnerships.

Our commitment to leadership in sustainability is anchored in our corporate values. The balance between economic success, environmental protection and social investments, has been an integral part of our corporate culture. Our objective is to entrench the Group as a strategic and sustainable partner of choice.

Our sustainability approaches have had the following impact:

4 QUALITY EDUCATION

"We strive to create a shared value not only for our shareholders, but also stakeholders through innovation."

EDUCATION

Kenya

The Group donated textbooks to schools in different counties through its education programme. These schools are Igoma PAG Primary School in Kisii County, Ngaremara Primary School in Isiolo County, Mwangala Primary School in Mombasa County and Sunrise Children's Home in Baringo County. These donations benefitted more than 2,000 pupils.

The NMG team donates foodstuff at the Mama Fatuma Children's Home

Students of St. Mary Mukumu Boarding Girls primary school in Kakamega receive newspapers through NiE initiative

NEWSPA

62,000 pupils in 152 schools

In 2017, we enrolled 152 schools through partnerships and provided approximately 62,000 pupils with access to newspapers each week distributing in various counties including Nairobi, Kiambu, Kisumu, Machakos, Kericho, Nakuru, Mombasa, Kisii, Narok, Kilifi, Kwale, Turkana and Bomet. As a result, NMG's Newspapers in Education initiative continued to develop young readers across the country through the distribution of newspapers.

UG - MPL staff participate in NSSF run to raise funds to support a suitable learning environment for the underprivileged children in Kampala.

Uganda

During the 25th Anniversary marked on 24th July 2017, Monitor Publications Limited (MPL) donated books to more than 2,000 pupils in Watoto Suubi Primary School in Nakirebe, Mpigi District.

SUSTAINABILITY REPORT (CONTINUED)

In 2017, MPL participated in the 8th Annual Women Health Camp that attracted more than 200 women and whose objective was to educate women on matters health, lifestyle and financial literacy.

MPL donated media sponsorship worth Shs 0.3 million towards the NSSF Seven Hills Run 2017, which supports public schools in Kampala. Some of the schools targeted are Busega Primary School, Summit View Army Primary School and Makerere University Primary School.

HEALTH

Kenya

The Group supports initiatives aimed at improving health like the Standard Chartered Marathon. Last year, the Group provided sponsorship for 100 of its employees to participate in the Marathon. The Marathon's campaign, dubbed 'Seeing is Believing', has distributed more than 500,000 pairs of spectacles and trained some 100,000 health workers.

NMG staff participated in the Standard Chartered, Ndakaini and Lewa Marathons to support different sustainability initiatives.

Uganda

MPL collaborated with the International Hospital Kampala, IMC Centres, AAR Healthcare, Rosewell Women's Clinic and Nakasero Hospital, to provide free screening and testing for cervical cancer at a subsidised rate to commemorate the Cancer Awareness Month.

Dembe FM together with AAR Healthcare, Kampala Capital City Authority, Uganda Cares and the Aga Khan Medical Centre, organised Mama Wange health camp to mark the Mother's Day.

The camp was conducted for three weeks and covered some 300 women. A number of activities were undertaken including breast cancer screening, full body and dental checks.

MPL donated media sponsorship worth Shs 0.2 million shillings, to support the Hope Warn Charity Golf Tournament.

All proceeds from the tournament went towards surgery and ICU management of newborns with defects. The tournament benefitted three babies.

SUSTAINABILITY REPORT (CONTINUED)

UG - Dembe FM staff organised a medical camp in Kampala to celebrate Mother's Day in 2017. The camp offered services like breast cancer screening, full body checks and dental checks

MPL donated media sponsorship worth Shs 0.2 million, towards the Rotary Uganda Hugh Masekela concert. The aim was to raise funds for the construction of a blood bank at Mengo Hospital and a trauma centre at Rotary hospital in Mukono.

ENVIRONMENT

The impact of business on global, regional and local environment is now more profound than ever, with the recognition of the adverse impact of environmental degradation.
The Group's printing plant has documented an environmental policy that commits it to manage its operations in a manner that aims to minimise the impact of its processes and activities on the environment.

Energy use

The operations at the NMG printing plant, involve printing and distribution of the Group's publications and warehousing of raw materials. The design of the new printing press engenders efficient use of resources, promotes sustainable use of energy and contributes to the overall reduction of carbon emissions. The printing press applies a hybrid approach of clean renewable energy and traditional energy that mitigate against environmental degradation. The result of implementing energy saving measures, has resulted in the Group saving 5% in power costs translating to 74,000 Kwh.

7 AFFORDABLE AND CLEAN ENERGY

5% Power savings

74,000 Kwh

Waste Management

The Group is committed to efficient waste management and fully abides by legal requirements regarding waste generation, handling and disposal. The new printing press has enabled the Group to reduce waste management by 67.5 per cent. The plant uses NEMA certified waste handling and disposal partners to ensure that all waste generated from the production processes is managed properly. External annual audits are conducted to determine compliance.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

waste reduction

67.5%

COMMUNITY SPONSORSHIPS

Kenya

NMG staff visited Mama Fatuma Children's Home in Eastleigh during Ramadhan and donated foodstuff. Our staff enjoyed a number of activities with the children and management.

Tanzania

Mwananchi Communications Ltd female staff marked the International Women's Day by paying a visit to Anna Panon, the wife of Mr Azory Gwanda, a journalist who went missing on 21 November 2017 (now more than 150 days ago).

RISK MANAGEMENT

NMG commissioned a consultant to review the Group's risk processes, to upscale them through the installation of the Enterprise Risk Management (ERM). ERM is a structured and disciplined approach to the management of risk which considers strategy, process, people, technology and resources within the business. A successful ERM programme integrates risk management into decision making, while simultaneously ensuring compliance with defined standards.

The review started in 2017, with analysis of NMG's existing risk management processes. Once established, the ERM framework will make risk management an integral part of achieving organisational objectives and contribute to value creation. Also, it will improve management's ability to understand, identify and proactively manage risks; reduce operational surprises and losses through risk identification and establish appropriate responses and prioritise key risks.

We believe that the ERM will enable NMG manage risks better and to seize opportunities related to the achievement of our key objectives. The success of the ERM will go a long way to drive innovation and value creation, while shaping the wellbeing of the NMG business.

HUMAN CAPITAL

Our people are not only the greatest assets, but also the engines that enable us to deliver today and reposition to win tomorrow. It is for this reason, we are constantly training our people to upscale their skills, recruiting the best talent and putting in place measures to retain great talent. All this becomes even more important, to ensure we have a fit for purpose team that will deliver the new strategy.

TRAINING

Inhouse Training

In this regard, the Group conducted a number of internal trainings for the staff. In order to manage and develop talent for digital media, a training was organised for all the commercial teams in print, digital and TV, facilitated by the International School of Advertising (ISA). Further, all digital staff were trained on data science facilitated by Moringa School. The digital team also participated in Google for publishers training conducted by Google.

SUSTAINABILITY REPORT (CONTINUED)

In Tanzania, the human resource department coordinated in-house trainings for journalists, which were conducted by our training editor.

External Training

In a bid to develop the Executive Team, one team member was nominated for the Fast Forward Leadership programme conducted by Sunny Bindra. Fast Forward is East Africa's premier leadership programme, for the leaders of 'Business Unusual' - the businesses and organizations of tomorrow.' Participants join a small cadre of leaders who understand wisdom in leadership and who care deeply about the uplift of Africa.

We collaborated with Strathmore Business School in developing key talent. In 2017, one Senior and two middle level Managers undertook leadership course, which included exposure to Business schools in Singapore and Malaysia.

Some 83 journalists went through training, to strengthen our health and science reporting in the head office and the Bureau offices.

In preparation for Kenya's general elections, 80 Journalists went through conflict and hostile environment reporting facilitated by Danish International Development Agency (DANIDA). 30 reporters went through journalism training by the Aga Khan University Graduate School of Media & Communications, to develop their skills to follow up on stories that we break on our social media platforms.

International Training

In line with our strategic objective of driving culture change, the Group sponsored the project manager for the culture program to attend a course in leading and managing change transformation facilitated by International Sales Training Institute (ISA) in Dubai. The training provided the manager with practical training and gaining best practice from other organisations.

Awards and Recognition

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

International

- Zeynab Wandati - Winner of the prestigious A.H Boemer Award Food & Agriculture Organisation of the United Nations (FAO) for 2017
- Pamella Sittoni - Women in News: Editorial Leadership Award
- Elizabeth Merab – Next Generation of Science Journalism Award by World Health Summit
- African fact-checking Awards 2017 – 'Before you vote' series by Nation Newsplex
- 3 World Association of Newspapers and News Publishers (WAN- IFRA) African Digital Media Awards:
    - **Winner**: Best Data Visualization: Deadly Force Database (Nation NewsPlex)
    - **Runner up**: Best News Mobile Service: Nation News App
    - **Runner up:** Best Innovation/New Product: Nation Messenger Bot

Kenya

- Think Business Investment Awards:
    - Most Innovative Company of the Year 2016-2017
    - 1st Runner up – Best Quoted Company of the Year
    - Best Company in Sustainable Corporate Responsibility
- Citi Journalism Excellence Award
- Media Council Awards in various categories
    - Sports Reporting
    - Health Reporting
    - Business Reporting
    - Photographer of the Year
    - Cartoonist of the Year
    - Gender Reporting
    - Environmental Reporting
    - Development Reporting
- Global Editors Network Award
- Communication Authority of Kenya Award

Uganda

- Uganda Media Women's Association (UMWA) Awards
- African Centre for Media Excellence Uganda National Journalism Awards 2017 in various categories
    - Data journalist
    - Photo journalist
    - Editorial cartooning
- Best Writer FUFA women cup
- Human Rights Awards 2017 in various categories
- Uganda Biotechnology Media Awards in various categories
- Recognition of outstanding journalism on health financing in Uganda (Makerere University school of public health)
- Sports Journalist of the year
- Best Journalist print category – Uganda Premier League Awards
- Winner to outstanding coverage of water, sanitation and hygiene – WASH Media awards in various categories
- Journalist Choice Awards 2017
- Best English News anchor - media challenge

Tanzania

- Assistant News Editor Human Rights and Good Governance and Culture and Sports
- Online and New Content Editor Tourism and Conservation
- Good governance Senior reporter Business, Economy and Finance
- Reporter News analysis and Current affairs

NTV ANCHORS

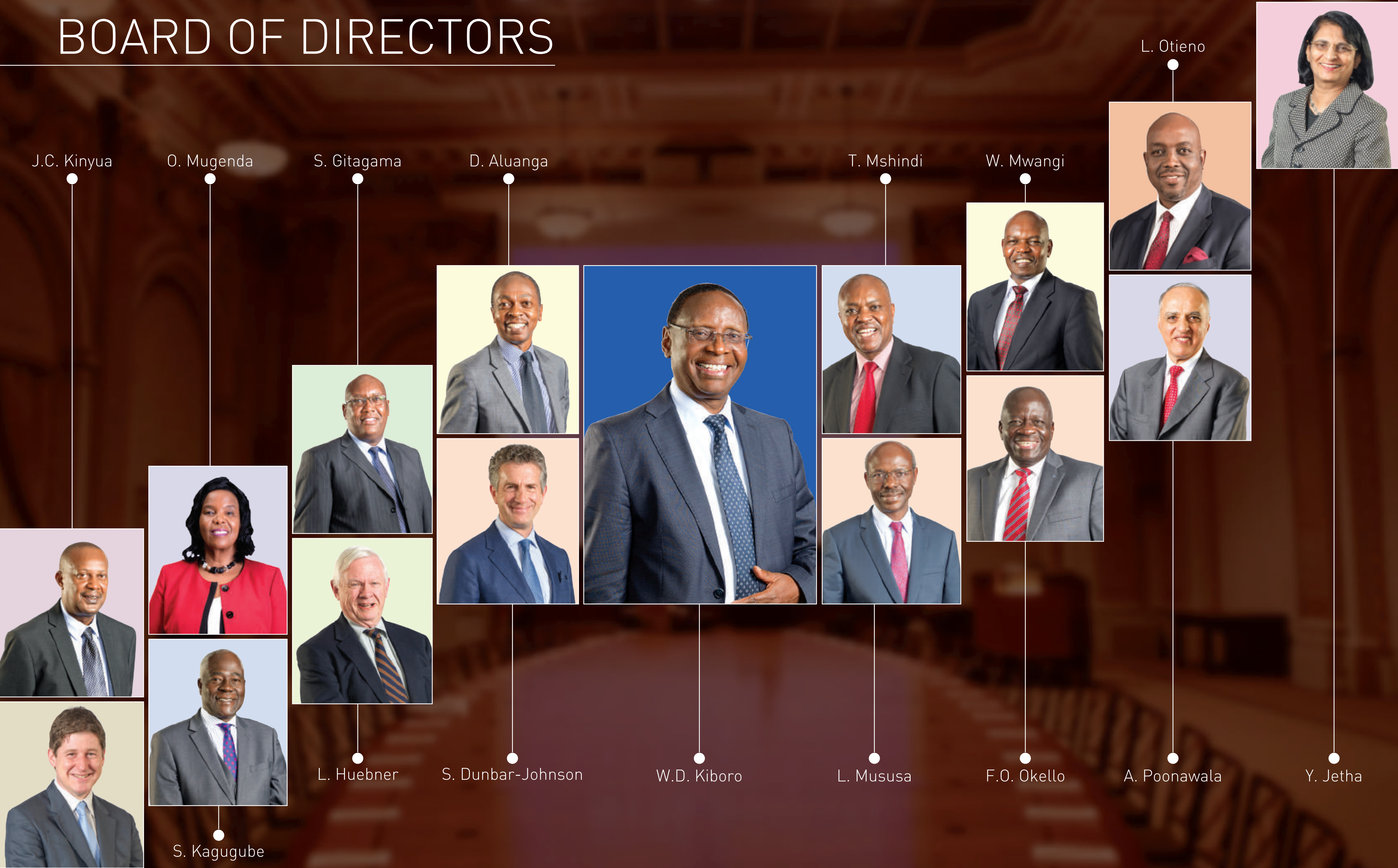
MEET THE TEAM

“NMG’s objective is to make its outlets comparable in authority, balance, credibility and presentation with leading media platforms in other parts of the world.”

BOARD OF DIRECTORS - HALMASHAURI YA WAKURUGENZI

W D Kiboro	Chairman (Kenyan)	Mwenyekiti (Mkenya)
J Muganda	Chief Executive Officer/ Managing Director (Kenyan) Resigned 31 January 2018	Mrasimu mkuu/ Msimamizi (Mkenya) Alijiuzulu 31 Januari 2018
D Aluanga	(Kenyan)	(Mkenya)
R Dowden	(British) Resigned 23 June 2017	(Mwingereza) Alijiuzulu 23 Juni 2017
S Dunbar-Johnson	(British) Appointed 13 April 2018	(Mwingereza) Aliteuliwa 13 Aprili 2018
S Gitagama	(Kenyan)	(Mkenya)
L Huebner	(American)	(Muamerikani)
Y Jetha	(British)	(Mwingereza)
S Kagugube	(Ugandan)	(Muganda)
J Montgomery	(British)	(Mwingereza)
O Mugenda	(Kenyan)	(Mkenya)
T Mshindi	(Kenyan)	(Mkenya)
W Mwangi	(Kenyan) Appointed 5 July 2017	(Mkenya) Aliteuliwa 5 Julai 2017
L Mususa	(Tanzanian)	(Mtanzania)
F O Okello	(Kenyan)	(Mkenya)
L Otieno	(Kenyan) Appointed 5 July 2017	(Mkenya) Aliteuliwa 5 Julai 2017
A Poonawala	(Swiss)	(Muswiss)
J C Kinyua	Secretary (Kenyan)	Katibu

BOARD OF DIRECTORS



BOARD OF DIRECTORS' PROFILES

Dr. Wilfred Kiboro

Dr. Wilfred Kiboro (73) 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. Dennis Aluanga

Mr. Dennis Aluanga (50) 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

Mr. Stephen Dunbar-Johnson (55) is a graduate of Worth School and Kent University in the United Kingdom. He holds an MBA (Executive Management) from 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 companys 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.

Mr. Stephen Gitagama

Mr. Stephen Gitagama (51) holds an MBA and a Bachelor of Commerce (Accounting) from the University of Nairobi and is a Certified Public Accountant of Kenya. He is the Group Finance Director and was appointed to the Board in March 2008. He previously worked as a Finance Director with East African Breweries Limited. Mr. Gitagama is an executive director and is a director of the Group's Subsidiary Companies and is a member of the Strategy and Investments Committee. Mr. Gitagama is the Group Chief Executive Officer following the resignation of Mr. J. Muganda.

BOARD OF DIRECTORS' PROFILES (CONTINUED)

Prof. Lee Huebner

Prof. Lee Huebner (77) 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

Dr. Yasmin Jetha (65) 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 on the boards of The Royal Bank of Scotland Ring-Fenced Bank Entities and also Guardian Media Group in United Kingdom. During her executive career, She was 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 & Investments Committee.

Dr. Simon Kagugube

Dr. Simon Kagugube (62) 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

Mr. James Montgomery (52) 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.

BOARD OF DIRECTORS' PROFILES (CONTINUED)

Prof. Olive Mugenda

Prof. Olive Mugenda (63) holds a Ph.D and an M.Sc in Family Studies, Education, Consumer Sciences and Research Methods from Iowa State University (USA), an MBA from the Eastern and Southern Africa Management Institute and a B.Ed from the University of Nairobi. She was the Vice-Chancellor of Kenyatta University from 2006 until her retirement in March 2016, and has also held various senior lecturing positions at the University from 1984. Prof. Mugenda joined the board as an independent non-executive director in September 2010 and is a member of the Editorial and the Human Resources and Remuneration Committees.

Mr. Tom Mshindi

Mr. Tom Mshindi (57) is a graduate of the University of Nairobi School of Journalism and holds an AMP certificate from Strathmore Business School and another from IESE, New York. He worked for the Nation Media Group as a journalist rising to the position of Managing Editor of the Daily Nation before joining UNICEF as an editor in New York. He also served as UNICEF's chief of communications in its Nigeria programme. He worked as the Chief Executive Officer of the Standard Media Group before taking up appointment as the Managing Director of Monitor Publications Limited and subsequently at Nation Newspapers division. Mr. Mshindi was appointed the Editor-In Chief on 5 June 2015 and appointed to the Board as an executive director in July 2016. He is a member of the Editorial and the Strategy and Investments Committees.

Mr. Wangethi Mwangi

Mr. Wangethi Mwangi (61) 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

Mr. Leonard Mususa (64) 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

BOARD OF DIRECTORS' PROFILES (CONTINUED)

Mr. Francis Okomo Okello

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

Mr. Louis Otieno

Mr. Louis Otieno (53) 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 is currently 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 Committee.

Mr. Anwar Poonawala

Mr. Anwar Poonawala (71) holds a Master of Science (Industrial Engineering) and an MBA from the University of Iowa (USA). He joined the board as a non-executive director in June 1989. He has been associated with the Aga Khan Development Network for over thirty years and retired in 2006 as the director of Industrial Promotion Services based in Paris, France. Mr. Poonawala is a director of AKFED. He is a member of the Audit, Risk and Compliance, the Nominations and Governance and the Human Resources and Remuneration Committees.

Mr. James Kinyua

Mr. James Kinyua (54) (Group Company Secretary) holds a Bachelor of Laws (Hons.) from the University of Sheffield (United Kingdom) and a Bachelor of Arts (Political Science) from York University (Canada). He is an Advocate of the High Court of Kenya and is also a Certified Public Secretary of Kenya (CPS K) and a member of the Institute of Directors (Kenya). He is an alumni of the Cambridge University Advanced Leadership Programme. He was appointed the Company Secretary in July 1998 and is the head of the Legal and Administration department. He is a director of the Group's subsidiary companies.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2017, 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 and magazines, radio and television broadcasting and digital online products, in the East African countries of Kenya, Uganda, Rwanda and Tanzania.

BUSINESS REVIEW

In 2017, the East African economies encountered a myriad of challenges that affected economic growth. These were drought, sluggish credit growth, slow implementation of government infrastructure projects and a prolonged election season in Kenya. 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 after tax declined compared with the previous year. The Group's turnover declined by 6.2% to Shs 10.6 billion, while total comprehensive income at Shs 1.4 billion was 17.4% lower than prior year. The performance was affected by revenue shortfall and an increase in provisions for bad and doubtful debt. The revenue was affected by the slowdown in the economy due to uncertainties around Kenya's presidential elections and the decline in print business in line with global trends. This was however mitigated by higher interest income and cost management measures. Management has continued to focus on developing new revenue streams to mitigate the decline in print media, reducing the incidence 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 58.

KEY PERFORMANCE INDICATORS

	2017 Shs m	2016 Shs m	2015 Shs m	2014 Shs m	2013 Shs m
Performance					
Revenue	10,624.9	11,324.8	12,339.5	13,351.3	13,373.7
Profit before income tax	1,954.6	2,460.0	2,823.2	3,624.0	3,587.1
Total comprehensive income attributable to shareholders	1,344.9	1,636.1	2,076.6	2,418.1	2,615.7
Financial position					
Non-current assets	5,009.2	5,010.8	5,171.8	4,569.3	3,877.9
Net current assets	3,183.0	3,707.3	3,933.8	4,256.7	4,449.9
Non-current liabilities	(25.9)	(15.2)	(151.9)	(57.9)	(84.4)
Non-controlling interest	(51.0)	(47.0)	(48.4)	(53.9)	(61.8)
Equity holders funds	**8,115.3**	**8,655.9**	**8,905.3**	**8,714.2**	**8,181.6**
Profit before tax as a percentage of revenue (%)	18.40	21.72	22.88	27.14	26.82
Earnings per share (Shs)	6.92	8.94	11.79	13.07	13.41
Dividends per share (Shs)	10.00	10.00	10.00	10.00	10.00
Dividends cover (times)	0.69	0.89	1.18	1.31	1.34
Capital expenditure	417.6	370.8	1,525.9	1,003.9	404.0

DIRECTORS' REPORT (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.

DIVIDENDS

The directors recommend the payment of a final dividend of Shs.7.50 per share (300%) on the issued share capital as at 31 December 2017, which together with the interim dividend of Shs.2.50 per share (100%) paid on 30 September 2017, makes a total of Shs.10.00 per share (400%) in respect of the year ended 31 December 2017 (2016: Shs.10.00 per share).

The dividend will be paid less withholding tax where applicable on or about 31 July 2018 to shareholders registered on the register of members at the close of business on 14 June 2018. The register of members will be closed from 18 to 22 June 2018, both dates inclusive.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 34.

Mr. W. Mwangi and Mr. L.Otieno were appointed to the Board on 5 July 2017, while Mr. S. Dunbar-Johnson was appointed a director

DIRECTORS' REPORT (CONTINUED)

on 13 April 2018 and in accordance with Article 96 of the Company's Articles of Association, they retire and being eligible offer themselves for election.

Dr. Y. Jetha, Mr. L. Mususa and Mr. J. Montgomery 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.

Mr. R. Dowden retired from the Board on 23 June 2017.

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

13 April 2018

RIPOTI YA WAKURUGENZI

Wakurugenzi wakuu wanaona fahari kuwasilisha ripoti yao na taarifa za kifedha zilizokaguliwa za mwaka uliokamilikia tarehe 31 Desemba 2017, ambazo zinabainisha hali halisi ya mambo katika shirika la Nation Media Group PLC ('Kampuni') pamoja na tanzu zake (kwa pamoja zikiitwa 'Shirika').

SHUGHULI KUU

Shughuli kuu za Shirika hili ni uchapishaji, upigaji chapa na usambazaji wa magazeti na majarida, pia matangazo ya redio na runinga pamoja na habari za mtandaoni, katika mataifa ya Afrika Mashariki ya Kenya, Uganda, Tanzania na Rwanda.

UCHAGANUZI WA BIASHARA

Katika mwaka wa 2017, chumi za mataifa ya Afrika Mashariki zilikabiliwa na changamoto nyingi ambazo ziliathiri ukuaji wa uchumi. Changamoto hizi zilijumuisha kiangazi, kudumaa kwa ukuaji wa huduma za kifedha, utekelezaji wa kujikokota wa miradi ya miundomsingi ya serikali na kipindi kirefu cha uchaguzi nchini Kenya. Baadhi ya kampuni zilizoko kwenye Soko la Hisa la Nairobi zililazimika kutoa tahadhari kuhusu faida, huku nyingine zikiripoti mapato yaliyopungua kutokana na mazingira magumu ya kibiashara.

Faida ya shirika hili baada ya ushuru pia ilipungua ikilinganishwa na mwaka uliotangulia. Mapato ya jumla ya shirika hili yalipungua kwa 6.2% hadi kufikia Sh10.6 bilioni, huku faida baada ya kukatwa ushuru ikishuka kwa 17.4% ukilinganisha na mwaka uliotangulia hadi kufikia Sh1.4 bilioni. Matokeo hayo yalitokana na kupungua kwa mapato na ongezeko la fedha za kufidia madeni yanayotiliwa shaka kulipwa. Mapato hayo yaliathiriwa na kupungua kwa kasi ya ukuaji wa uchumi kutokana na taharuki kuhusu uchaguzi wa urais nchini Kenya na kushuka kwa biashara ya magazeti (majarida) kama ilivyo kwingineko duniani. Hata hivyo, hali hiyo ilififishwa na mapato ya juu kutokana na riba na mikakati thabiti ya kukabiliana na gharama. Usimamizi wa shirika hili unaendelea kuzingatia kwa dhati ubunifu wa njia mpya za mapato ili kukabiliana na kupungua kwa biashara ya magazeti, visa vya madeni mabovu (yasiyolipwa) na yale yanayotiliwa shaka pamoja na kupunguza gharama za uendeshaji shughuli.

Matokeo ya Shirika hili katika mwaka unaochanganuliwa yameorodheshwa katika taarifa ya pamoja ya kifedha ya Shirika katika ukurasa wa 58.

VIASHIRIA VIKUU VYA MATOKEO

	2017	2016	2015	2014	2013
	Shs m	Shs m	Shs m	Shs m	Shs m
Matokeo					
Mapato	10,624.9	11,324.8	12,339.5	13,351.3	13,373.7
Faida kabla ya ushuru	1,954.6	2,460.0	2,823.2	3,624.0	3,587.1
Jumla ya mapato yanayohusishwa na wenyehisa	1,344.9	1,636.1	2,076.6	2,418.1	2,615.7
Hali ya kifedha					
Mali ya Muda mrefu	5,009.2	5,010.8	5,171.8	4,569.3	3,877.9
Mali isiyo ya muda mrefu baada ya gharama	3,183.0	3,707.3	3,933.8	4,256.7	4,449.9
Gharama ya muda mrefu	(25.9)	(15.2)	(151.9)	(57.9)	(84.4)
Riba isiyodhibitiwa	(51.0)	(47.0)	(48.4)	(53.9)	(61.8)
Fedha za wenyehisa	**8,115.3**	**8,655.9**	**8,905.3**	**8,714.2**	**8,181.6**
Faida kabla ya ushuru kama asilimia ya mapato (%)	18.40	21.72	22.88	27.14	26.82
Mapato kwa kila hisa (Sh)	6.92	8.94	11.79	13.07	13.41
Migao kwa kila hisa (Sh)	10.00	10.00	10.00	10.00	10.00
Upana wa migao (mara)	0.69	0.89	1.18	1.31	1.34
Matumizi ya mtaji	417.6	370.8	1,525.9	1,003.9	404.0

RIPOTI YA WAKURUGENZI (INAENDELEA)

HATARI KUU NA MBINU ZA KUKABILIANA NA CHANGAMOTO

Hatari kuu katika kampuni zimeorodheshwa hapo chini. Hatari hizi zimechunguzwa na kubainishwa kwa athari zake na jinsi ya kukabiliana na changamoto ziliopo.

Hatari kuu	Mbinu za kukabiliana na changamoto
1. Kampuni kuchafuliwa jina Kampuni ya NMG kuchafuliwa jina kwa sababu ya vitendo, tabia au matokeo yanayokwenda kinyume na matarajio ya wanahisa.	• Kuwapa mafunzo wafanyakazi kuwahudumia wateja kwa njia ya kuridhisha wateja. • Kuhamasisha wafanyakazi wa NMG wajue masuala tata ya kampuni kuharibiwa sifa. • Mbinu ya "Tayari Kudhibitiwa" ili kufuata utaratibu uliowekwa. • Kutengeneza jedwali na ngazi kuonyesha viwango vya athari katika masuala ya jina kuharibika. • Kuimarisha jukumu la kuchuja habari na kufuata sera ya uhariri. • Kutengeneza itifaki ya mawasiliano ya Kampuni ikiwa ni pamoja na utaratibu wa matumizi ya mitandao ya kijamii. • Kuangalia mitandao ya kijamii na kujibu inavyofaa. • Mbinu kabambe ya kusimamia wanahisa.
2. Utegemezi Kutegemea sana mapato kutoka kwa magazeti na pesa kutokana na ufikiaji wateja kama njia ya msingi ya mapato.	• Kutafiti mbinu mpya za kuongeza kipato. • Kuhakikisha habari zinapeanwa mwanzo katika mitandao na kuhakikisha wafanyakazi wanazingatia utaratibu wa mitandao kwanza. • Kuhakikisha habari ni za kipekee na za kuridhisha.
3. Kujipata katika mkono mbaya kisheria Matini yenye kuharibu sifa za watu kuenezwa na Nation Media Group PLC zinaweka kampuni katika hatari ya kushtakiwa	• Kuhakikisha mikakati ndani ya Kampuni hairuhusu makosa kutokea ovyo. • Kuadhibu wanaokosea kwa njia inayofaa. • Kuhakikisha sera za uhariri zinafuatwa kikamilifu. • Kutoa mafunzo kuimarisha utendakazi wa wafanyakazi bila kuchakachua ubora. • Kuhakikisha kesi za masuala ya kisheria zinakabiliwa vilivyo.
4. Kukosa kupokea malipo Washirika wa kibiashara kukosa kutii makubaliano ya malipo kwa faida ya Nation Media Group PLC.	• Kuchunguza kwa makini mienendo ya washirika na wateja katika ulipaji, ukopaji na utimizaji ahadi za malipo. • Kuangalia utaratibu wa ukusanyaji madeni mara kwa mara. • Kuwahusisha wakusanyaji madeni panapohitajika. • Umakinifu katika kuruhusu ukopaji. • Wateja kuhitajika kupeana taarifa za benki na bima kama hakikisho la kulipa.
5. Hatari ya kukosa kufuata Sheria za Vyombo vya Kudhibiti na Kufuata Utaratibu Kubadilika kwa utaratibu wa udhibiti ni tishio kwa mbinu za NMG kuwa kidedea katika ushindani kibiashara na pia uwezo wake kufanya biashara jinsi inavyofaa.	• Kuwahusisha kila mara wanahisa kutoka upeo mpana. • Kuhakikisha sera ya uhariri inafuatwa barabara na inakuwa chombo cha uanahabari unaofaa. • Ufuatiliaji wa ukuaji mara kwa mara • Mafunzo ya mara kwa mara kuendana na mabadiliko katika udhibiti. • Kuhakikisha ufuataji wa sheria zote husika, udhibiti na ubora unaohitajika.

MIGAO

Wakurugenzi wanapendekeza wanahisa wapate mgao wa mwisho wa Shs.7.50 kwa kila hisa (300%) kwa mapato ya kufikia Desemba 31, 2017, ambalo kwa pamoja na mgao wa muda wa Shs.2.50 kwa kila hisa (100%) ambao walilipwa Septemba 30, 2017, unafikisha Shs.10.00 kwa kila hisa (400%) kulingana na mwaka wa kifedha uliofikia mwisho mnamo Desemba 31, 2017 (2016: Shs.10.00 kila hisa).

Mgao utalipwa baada ya kuondoa kodi ya zuio panapohitajika Julai 31, 2018, au siku iliyo karibu na tarehe hiyo, kwa wanahisa ambao wamesajiliwa rasmi katika rejista ya wanachama kufikia Juni 14, 2018. Rejista ya wanachama itafungwa kati ya Juni 18 na Juni 22, 2018, siku hizi mbili zikihesabiwa.

WAKURUGENZI

Wakurugenzi waliokuwa afisini katika mwaka huu wa kifedha hadi muda ripoti hii iliandikwa wametajwa katika ukurasa wa 34.

Bw. W. Mwangi na Bw. L.Otieno waliteuliwa katika Bodi Julai 5, 2017, huku Bw. S. Dunbar-Johnson akiteuliwa kuwa mkurugenzi Aprili

RIPOTI YA WAKURUGENZI (INAENDELEA)

13, 2018, kwa mujibu wa Kifungu 96 cha Maelezo Kuihusu Kampuni wanastaafu lakini wanakubalika kuhudumu na hivyo wanajitoa uwanjani kuwania nafasi kuchaguliwa kuwa wakurugenzi.

Dkt. Y. Jetha, Bw. L. Mususa na Bw. J. Montgomery ni wakurugenzi ambao wanastaafu kwa mzunguko kwa mujibu wa Kifungu 110 cha Maelezo Kuihusu Kampuni, na kwa sababu wanaweza kuhudumu tena, wanajitoleza wachaguliwe tena.

Dkt. W. Kiboro, Prof. L. Huebner na Bw. A. Poonawala ni wakurugenzi ambao kwa sababu wametimiza umri wa miaka 70, wanastaafu kwa kufuata Kifungu 101 cha Maelezo Kuihusu Kampuni na wanajiwasilisha kuchaguliwa kuwa wakurugenzi wa Kampuni kwa muda wa mwaka mmoja.

Bw. R. Dowden alistaafu kutoka kwa Bodi mnamo Juni 23, 2017.

WASILISHO KWA WAKAGUZI

Wakurugenzi wanathibitisha kwamba kuambatana nao kufikia wakati wa kuidhinishwa kwa ripoti hii:

a. hakuna, kwa kiasi cha uelewa wa kila mkurugenzi, taarifa ya ukaguzi ambayo mkaguzi wa hesabu za Kampuni hana ufahamu kuihusu; na

b. kila mkurugenzi alikuwa amechukua hatua zote anazofaa kufuata kupata ufahamu wa yote yanayofanyika katika kampuni na hasa taarifa za ukaguzi pamoja na kuhakikisha mkaguzi wa Kampuni anaufahamu wa taarifa hizo.

SHERIA ZA MKATABA NA WAKAGUZI

Mkaguzi wa NMG ni Kampuni ya PricewaterhouseCoopers na ina nia ya kuendelea kwa mujibu wa sehemu ya 721 ya Sheria ya Kenya kuhusu Kampuni ya mwaka 2015.

Wakurugenzi hufuatilia ubora, usawa na kujitegemea kwa mkaguzi. Uwajibikaji huu unajumuisha kuidhinisha kwa kandarasi ya ukaguzi ambayo inaweka bayana sheria za mkataba za kuteua mkaguzi na kiasi cha ada ya huduma kwa niaba ya wanahisa.

Kwa amri ya Bodi

J. C. Kinyua
Katibu

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. Their remuneration is not pegged on performance.

The executive directors comprise of the Group Chief Executive Officer, the Group Finance Director and the Editor-in-Chief. The Group Chief Executive Officer's remuneration is approved by the Chairman of the Board, and the Group Chief Executive Officer approves the remuneration of the Group Finance Director and Editor-in-Chief in line with other employees. 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 23rd June 2017, the shareholders unanimously authorised the board to fix the remuneration of the non-executive directors.

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.

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 2017 together with the comparative figures for 2016.

The aggregate Directors' emoluments are shown under note 31.

DIRECTORS' REMUNERATION REPORT (CONTINUED)
INFORMATION NOT 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
Gerard M 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**

For the year ended 31 December 2016	Salary Shs m	Fees Shs m	Bonuses Shs m	Expense allowances Shs m	Long term/ terminal benefits Shs m	Total Shs m
Joe Muganda	42.0	-	5.5	0.4	2.7	50.6
Stephen Gitagama	29.9	-	-	0.2	2.0	32.1
Tom Mshindi	34.3	-	-	0.8	2.3	37.4
Wilfred Kiboro	-	3.5	-	0.1	-	3.6
Francis Okello	-	2.3	-	0.1	-	2.4
Gerard M Wilkinson	-	2.3	-	-	-	2.3
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	-	1.7	-	-	-	1.7
Olive Mugenda	-	1.7	-	0.2	-	1.9
Simon Kagugube	-	2.1	-	-	-	2.1
James Montgomery	-	3.5	-	-	-	3.5
Njeri Karago	-	0.9	-	-	-	0.9
Leonard C Mususa	-	2.1	-	-	-	2.1
Totals	**106.2**	**29.3**	**5.5**	**1.8**	**7.0**	**149.8**

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

On behalf of the Board

Y. Jetha

Chairman,
Human Resources and Remuneration Committee

13 April 2018

EXECUTIVE TEAM

Mr. Stephen Gitagama
Group Chief Executive Officer

Mr. Tom Mshindi
Editor-In-Chief

Mr. David Kiambi
Group Human Resources Director

Mr. James Kinyua
Group Company Secretary

Mr. Alex Kobia
Managing Director Broadcast Division

Mrs. Rashmi Chugh
Group Head of Digital

Mr. Micheal Walekwa
General Manager Circulation & Distribution

Mr. Japhet Mucheke
Group Financial Controller

EXECUTIVE TEAM (CONTINUED)

Mr. Gabriel Chege
Group IT Director

Mr. Francis Munywoki
Managing Director Newspaper Division

Mr. Anthony C. Glencross
Managing Director Monitor Publications Ltd

Mr. Francis Nanai
Managing Director Mwananchi Communications Ltd

Mr. Clifford Machoka
Head of Corporate & Regulatory Affairs

Mr. Gideon Aswani
Head of Operations

Mr. George Ambatta
Group Head of Internal Audit

Ms. Emma Ngutu
Marketing Manager

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.

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

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

Approved by the board of directors on 13 April 2018 and signed on its behalf by:

Dr. W. D. Kiboro
Chairman

S. Gitagama
Group Finance Director


ntv
JAM ROCK
SATURDAY 10:00 PM
THE WICKED EDITION
MONDAY 7:30 PM
On the Wings of Love
WILD SKIN
Piel Salvaje
MONDAY to THURSDAY 8:00 PM
GIVING NATURE A VOICE
SUNDAY 6:00 PM
Auntie Boss
TUESDAY 7.30 PM
CARTOONS!
Curious George
The BoxTrolls
EVERYDAY 3.00 PM
TALES FROM THE BUSH LARDER
Starting this Sunday
6-30 PM
NTV Lifestyle
#THE TREND WITH AMINA ABDI
Get your fix on what's hot and what's happening every
Friday
at 8 pm & 10 pm
EXCITING MOVIES!
Cry Freedom
Welcome Home Roscoe Jenkins
Fast & Furious 6
Keanu Reeves
47 RONIN
EVERYDAY 1:30 & 10.30 PM
NTVKenya
ntv
turning on your world

MWANANCHI

'Fikiri Tofauti'

MAKE WAY FOR THE LEADER.

The newspaper with a higher audience than all others put together.

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

pwc

OUR OPINION

We have audited the accompanying separate financial statements of Nation Media Group Plc (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 58 to 93, which each comprise a statement of financial position at 31 December 2017 and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2017 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
Provisions for claims and other liabilities The estimation of the Group's provisions for claims and other liabilities involves high levels of judgement. There is uncertainty as to how claims will be resolved and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Matters that impact judgement include the nature of the claim, specific facts and circumstances of the claim and the impact of decided cases on the existing open cases and claims. Refer to note 3 (i) on critical accounting estimates and assumptions and note 25 on provision for claims and other liabilities.	Our procedures in relation to adequacy of the provision for claims and other liabilities included: • evaluating and testing management's controls over provisioning; • comparing actual amounts paid during the year to provision amounts held in the prior periods, to evaluate the reasonableness of management's estimation process; • assessing the reasonability and sufficiency of the provision for claims and other liabilities by challenging judgements taken by management in determining amounts to be provided for; and, • checking the completeness of the register of claims and other liabilities against confirmations received from the Group's external legal counsel.

PricewaterhouseCoopers CPA. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001
www.pwc.com/ke

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATION MEDIA GROUP PLC (CONTINUED)

pwc

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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.

pwc

- 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 directors' report on pages 40 to 45 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 46 to 47 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Bernice Kimacia – Practising Certificate No. 1457.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi
18 April 2018

#MorePossibilities

@BD_Africa / BusinessDailyAfrica / BusinessDailyAfrica

SEEK MULTIPLE

GROWTH

TECHNOLOGY • INNOVATION • GADGET REVIEW

Every Thursday, only in
your Business Daily

Get your copy of Business Daily or log on to **www.businessdailyafrica.com**

BUSINESS DAILY
more possibilities

FINANCIAL STATEMENTS

> The fundamental objective of our journalists is to report fairly, accurately and without bias on matters of public interest.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

		Group		Company	
		2017	2016	2017	2016
	Notes	Shs m	Shs m	Shs m	Shs m
Revenue	5	10,624.9	11,324.8	8,186.0	8,710.4
Cost of sales		(1,963.7)	(2,000.0)	(1,521.5)	(1,421.3)
Gross profit		8,661.2	9,324.8	6,664.5	7,289.1
Distribution costs		(325.4)	(341.3)	(227.3)	(219.6)
Administrative expenses		(4,617.1)	(5,005.5)	(3,215.4)	(3,530.5)
Other expenses		(2,176.9)	(1,946.1)	(1,908.7)	(1,579.4)
Operating profit	**6**	**1,541.8**	**2,031.9**	**1,313.1**	**1,959.6**
Finance income	8(a)	319.0	308.3	295.8	294.4
Finance costs	8(b)	-	(2.1)	-	-
Share of profit after income tax of associate	17	93.8	121.9	-	-
Profit before income tax		**1,954.6**	**2,460.0**	**1,608.9**	**2,254.0**
Income tax expense	9	(643.8)	(771.1)	(532.7)	(747.9)
Profit for the year		**1,310.8**	**1,688.9**	**1,076.2**	**1,506.1**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		(0.9)	(30.8)	-	-
Other comprehensive income from associate	17	33.9	(23.4)	-	-
Revaluation gain/(loss) net of tax	12	7.1	-	(16.8)	-
		40.1	**(54.2)**	**(16.8)**	**-**
Total comprehensive income for the year		**1,350.9**	**1,634.7**	**1,059.4**	**1,506.1**
Profit for the year attributable to:					
Owners of the parent		1,304.9	1,685.6	-	-
Non-controlling interest		5.9	3.3	-	-
		1,310.8	**1,688.9**	**-**	**-**
Total comprehensive income attributable to:					
Owners of the parent		1,344.9	1,636.1	-	-
Non-controlling interest		6.0	(1.4)	-	-
		1,350.9	**1,634.7**	**-**	**-**
Basic and diluted earnings per share (Shs)	**10**	**6.9**	**8.9**	**5.7**	**8.0**

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER

		Group		Company	
	Notes	2017 Shs m	2016 Shs m	2017 Shs m	2016 Shs m
CAPITAL EMPLOYED					
Attributable to the Company's equity holders					
Share capital		471.4	471.4	471.4	471.4
Other reserves	12	(72.5)	(112.5)	104.7	121.5
Retained earnings		6,302.3	6,882.9	4,635.6	5,444.8
Proposed dividends	27	1,414.1	1,414.1	1,414.1	1,414.1
		8,115.3	**8,655.9**	**6,625.8**	**7,451.8**
Non-controlling interest		51.0	47.0	-	-
Total equity		**8,166.3**	**8,702.9**	**6,625.8**	**7,451.8**
Non-current liabilities					
Deferred income tax	13	25.9	15.2	-	-
Total equity and non-current liabilities		**8,192.2**	**8,718.1**	**6,625.8**	**7,451.8**
Non-current assets					
Property, plant and equipment	14	3,044.3	3,195.1	2,409.1	2,566.2
Intangible assets	15	120.9	268.5	91.7	100.9
Prepaid operating lease rentals	16	72.3	74.5	43.8	45.0
Investment in associate	17	1,330.6	1,208.4	94.6	94.6
Investment in subsidiaries	18	-	-	950.6	1,012.6
Deferred income tax	13	280.1	81.3	272.3	6.7
Long-term deposits	19	161.0	183.0	161.0	183.0
		5,009.2	**5,010.8**	**4,023.1**	**4,009.0**
Current assets					
Inventories	20	637.6	1,235.3	487.9	1,020.2
Receivables and prepayments	21	2,262.4	2,480.7	1,858.3	2,184.2
Cash and cash equivalents	22	1,692.6	1,344.7	1,211.2	1,074.1
Short-term investments	23	1,613.9	2,102.6	1,613.9	2,102.6
Current income tax		104.6	-	28.1	-
		6,311.1	**7,163.3**	**5,199.4**	**6,381.1**
Current liabilities					
Payables and accrued expenses	24	2,643.1	2,574.2	2,136.0	2,002.0
Provisions	25	477.6	441.3	453.3	418.2
Post employment benefit obligation	26	7.4	265.1	7.4	265.1
Current income tax		-	175.4	-	253.0
		3,128.1	**3,456.0**	**2,596.7**	**2,938.3**
Net current assets		**3,183.0**	**3,707.3**	**2,602.7**	**3,442.8**
Total assets less current liabilities		**8,192.2**	**8,718.1**	**6,625.8**	**7,451.8**

The financial statements on pages 58 to 93 were approved for issue by the board of directors on 13 April 2018 and signed on its behalf by:

Dr. W D Kiboro
Chairman

S Gitagama
Group Finance Director

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

	Notes	Attributable to equity holders of the Company					Non - controlling interest	Total equity
		Share capital Shs m	Other reserves Shs m	Retained Earnings Shs m	Proposed dividends Shs m	Total Shs m	Shs m	Shs m
Year ended 31 December 2016								
At start of year		**471.4**	**(56.4)**	**7,076.2**	**1,414.1**	**8,905.3**	**48.4**	**8,953.7**
Total comprehensive income								
Profit for the year		-	-	1,685.6	-	1,685.6	3.3	1,688.9
Other comprehensive income, net of tax								
Transfer of excess depreciation		-	(9.4)	9.4	-	-	-	-
Deferred tax on transfer		-	2.8	(2.8)	-	-	-	-
		-	(6.6)	6.6	-	-	-	-
Currency translation differences		-	(26.1)	-	-	(26.1)	(4.7)	(30.8)
Share of comprehensive income in associate		-	(23.4)	-	-	(23.4)	-	(23.4)
Total other comprehensive income		**-**	**(49.5)**	**-**	**-**	**(49.5)**	**(4.7)**	**(54.2)**
Total comprehensive income for the year		**-**	**(56.1)**	**1,692.2**	**-**	**1,636.1**	**(1.4)**	**1,634.7**
Transactions with owners recognized directly in equity								
Dividends:								
- final for 2015		-	-	-	(1,414.1)	(1,414.1)	-	(1,414.1)
- interim for 2016 paid	27	-	-	(471.4)	-	(471.4)	-	(471.4)
- Proposed final for 2016	27	-	-	(1,414.1)	1,414.1	-	-	-
Total transactions with owners		**-**	**-**	**(1,885.5)**	**-**	**(1,885.5)**	**-**	**(1,885.5)**
At end of year		**471.4**	**(112.5)**	**6,882.9**	**1,414.1**	**8,655.9**	**47.0**	**8,702.9**

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

	Notes	Attributable to equity holders of the Company					Non-controlling interest	Total equity
		Share capital	Other reserves	Retained Earnings	Proposed dividends	Total		
		Shs m	Shs m	Shs m	Shs m	Shs m	Shs m	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 recognized directly in equity								
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**

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 Shs m
Year ended 31 December 2016						
At start of year		**471.4**	**124.7**	**5,821.0**	**1,414.1**	**7,831.2**
Total comprehensive income						
Profit for the year		-	-	1,506.1	-	1,506.1
Other comprehensive income, net of tax						
Transfer of excess depreciation		-	(4.6)	4.6	-	-
Deferred income tax on transfer		-	1.4	(1.4)	-	-
Total other comprehensive income		**-**	**(3.2)**	**3.2**	**-**	**-**
Total comprehensive income for the year		**-**	**(3.2)**	**1,509.3**	**-**	**1,506.1**
Transactions with owners						
Dividends:						
- final for 2015 paid	27	-	-	-	(1,414.1)	(1,414.1)
- interim for 2016 paid	27	-	-	(471.4)	-	(471.4)
- proposed final for 2016	27	-	-	(1,414.1)	1,414.1	-
Total transactions with owners		**-**	**-**	**(1,885.5)**	**-**	**(1,885.5)**
At end of year		**471.4**	**121.5**	**5,444.8**	**1,414.1**	**7,451.8**
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**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

		Group		Company	
	Notes	2017 Shs m	2016 Shs m	2017 Shs m	2016 Shs m
Operating activities					
Cash generated from operations	30	3,296.4	2,245.6	3,002.0	2,075.3
Income tax paid		(1,112.4)	(93.4)	(1,072.1)	(60.4)
Net cash generated from operating activities		**2,184.0**	**2,152.2**	**1,929.9**	**2,014.9**
Investing activities					
Interest received	8 (a)	319.0	308.3	295.8	294.4
Interest paid	8 (b)	-	(2.1)	-	-
Purchase of property, plant and equipment	14	(391.6)	(340.7)	(301.5)	(227.3)
Purchase of intangible assets	15	(26.0)	(30.1)	(24.4)	(29.1)
Proceeds from sale of property, plant and equipment		118.4	17.2	97.3	12.0
Dividends received from associate	17	5.5	5.5	5.5	5.5
Acquisition of subsidiary		(2.0)	-	(2.0)	-
Long-term deposit		22.0	(80.6)	22.0	(80.6)
Net cash generated (used in) investing activities		**45.3**	**(122.5)**	**92.7**	**(25.1)**
Financing activities					
Repayment of borrowings		-	(38.1)	-	-
Dividends paid		(1,885.5)	(1,885.5)	(1,885.5)	(1,885.5)
Net cash used in financing activities		**(1,885.5)**	**(1,923.6)**	**(1,885.5)**	**(1,885.5)**
Net increase in cash and cash equivalents		**343.8**	**106.1**	**137.1**	**104.3**
Movement in cash and cash equivalents					
At start of year		1,344.7	1,241.0	1,074.1	969.8
Increase in cash and cash equivalents		343.8	106.1	137.1	104.3
Exchange losses on cash and cash equivalents		4.1	(2.4)	-	-
At end of year	22	**1,692.6**	**1,344.7**	**1,211.2**	**1,074.1**

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 these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(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 2017:

Recognition of Deferred Tax Asset for Unrealised Losses - Amendment to IAS 12; Effective 1 January 2017. Amendments made to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

Disclosure Initiative – Amendments to IAS 7; Effective 1 January 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example, by providing a net debt, reconciliation However, in this case the changes in other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

The adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

(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 2017, 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 the following set out below:

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. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The standard is expected to impact mainly receivables but it's not currently considered likely to have any major impact on the Group's current accounting. The provision for impairment under the new standard is not expected to result in a higher charge to profit or loss.

The standard is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus can direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.
Management is currently assessing the effects of applying the new standard on the Company/Group's financial statements and has identified the following areas are likely to be affected:

- The introduction of the concept of control over good or service to determine how revenue is recognized will require the Company/Group to reassess the Gross versus Net presentation of revenue from value added services.
- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15 such as discounts on sales.
- Accounting for bundled products including allocating the sales transactions costs to each product.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Company/Group currently intends to reflect the cumulative impact of IFRS 15 in equity on the date of adoption. From the initial assessment conducted by management, adoption of IFRS 15 will not have a significant impact on the Company/Group.

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. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. 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.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time.

The Directors do not plan to apply any of the above until they become effective. Based on managements assessment of the potential impact of application of the above, management does not expect that there will be a significant impact on the Group's financial statements.

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 recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

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

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

(b) Disposal of subsidiaries

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

(ii) Associates

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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, with intra-segment revenue and costs being eliminated in head office. Income and expenses associated with each segment as included in determining business segment performance.

(e) Revenue recognition

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

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

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Group delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income is recognised using the effective interest method.

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

(f) Inventories

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

(g) Receivables

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

(h) Leases

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

(i) Current and deferred income tax

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

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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

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

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

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

(j) Intangible assets

(i) Goodwill

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

(ii) Computer software

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

(iii) Transmission frequencies

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

(k) Employee benefits

(i) Post employment benefit obligations

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

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

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

(ii) Other entitlements

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

(iii) Termination benefits

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

(iv) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation

(l) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
(ii) income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed off or sold, exchange differences that are recorded in equity are recognised in profit or loss as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(m) Impairment of non-financial assets

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

(n) Dividends

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

(o) Payables

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

(p) Share capital

Ordinary shares are classified as equity.

(q) Cash and cash equivalents

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

(r) Borrowings

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

(s) Provision for liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

(t) Comparatives

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

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

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.

Useful lives of property, plant and equipment

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

Income taxes

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

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

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

4 FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2017 if the shilling had weakened/strengthened against the US dollar and Euro by 10%, with all other variables held constant, the consolidated post tax profit for the year and equity would have been Shs 33.4 million for the US dollar whereas the Euro effect would have been Shs 1.6 million. (2016: Shs 9.9 million for the US dollar and Shs 1.7 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 no subject to interest rate risk.

(b) Credit risk

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. The Group credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. For banks and financial institutions, only reputable well established financial institutions are accepted. For trade receivables, the credit controllers assess the credit quality of

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The amounts that represent the Group's maximum exposure to credit risk is equal to the carrying amount of financial assets in the statement of financial position. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated. All receivables past due by more than 90 days are considered to be impaired, and are carried at their estimated value.

Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
(i) Trade receivables	Shs m	Shs m	Shs m	Shs m
Past due but not impaired				
- up to 60 days	633.0	985.4	505.8	795.0
- by 61 to 90 days	500.7	271.5	444.2	229.0
Total past due but not impaired	**1,133.7**	**1,256.9**	**950.0**	**1,024.0**
Impaired (fully provided for)	**3,083.4**	**2,750.1**	**2,163.9**	**1,852.4**
(ii) Related parties receivables				
Past due but not impaired	6.8	4.2	145.3	310.6
Impaired (fully provided for)	-	-	270.9	-
(iii) Other receivables				
Past due but not impaired	1,121.9	1,219.6	763.0	849.6

Shs 220.9 million was held as collateral for trade receivables as at 31 December 2017.

Cash and short term investments

Fixed deposits with banks	1,875.7	2,206.0	1,575.7	2,075.6
Treasury bills	95.8	191.7	95.8	191.7
Other short term investments	786.7	767.5	786.7	767.5
	2,758.2	**3,165.2**	**2,458.2**	**3,034.8**

(c) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Group		Company	
At December 2017	**2017**	**2016**	**2017**	**2016**
Liabilities less than 1 year	**Shs m**	**Shs m**	**Shs m**	**Shs m**
- payables and accrued expenses	2,643.1	2,574.2	2,136.0	2,002.0
- provisions for claims and other liabilities	477.6	441.3	453.3	418.2
- post employment benefit obligation	7.4	265.1	7.4	265.1

(d) Capital risk management

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

(e) Fair value estimation

Leasehold buildings are initially recorded at cost and subsequently shown at market values based on periodic valuations by external and independent valuers, less subsequent depreciation. The fair value of leasehold buildings is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the statement of financial position date.

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 Scheme 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.

Buildings under property, plant and equipments are disclosed under Note 14 represents the fair value measurement in these financial statements.

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 & Magazines and Broadcasting.

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

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

There are no significant transactions between the two reportable segments.

5 SEGMENT PERFORMANCE (CONTINUED)

Entity-wide information

Breakdown of the revenue from all products and services is as follows:

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Advertising revenue	7,087.4	7,537.7	5,545.6	6,063.9
Circulation revenue	3,053.8	3,365.1	2,238.0	2,410.3
Other	483.7	422.0	402.4	236.2
Total	**10,624.9**	**11,324.8**	**8,186.0**	**8,710.4**

Segment performance

	Newspapers & Magazines		Broadcasting		Group	
	2017	2016	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Sales	8,914.4	9,645.2	1,710.5	1,679.6	10,624.9	11,324.8
Allocated costs	(6,883.3)	(6,852.9)	(1,610.8)	(1,925.3)	(8,494.1)	(8,778.2)
Segment results	2,031.1	2,792.3	99.7	(245.7)	2,130.8	2,546.6
Unallocated costs					(589.0)	(514.7)
Operating profit					1,541.8	2,031.9
Net finance income					319.0	306.2
Share of results of associate					93.8	121.9
Profit before income tax					**1,954.6**	**2,460.0**

Nation Media Group is domiciled in Kenya. The revenue attributed to local sales was Shs 8,186.0 million (2016:Shs 8,710.4 million) while the revenues attributed to all foreign countries in total from which the entity derives revenues was Shs 2,438.9 million (2016: Shs 2,614.4million). The Group does not derive revenues in excess of 10% of the total Group's revenue from any individual customer.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

5 SEGMENT PERFORMANCE (CONTINUED)

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

	Newspapers & Magazines		Broadcasting		Group	
	2017	2016	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Depreciation	403.5	411.4	137.9	181.6	541.4	593.0
Amortisation	37.5	33.5	4.1	3.9	41.6	37.4
Provision for impairment of receivables	268.6	197.2	64.7	51.5	333.3	248.7

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

	Newspapers & Magazines		Broadcasting		Group	
	2017	2016	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Segment assets	8,428.7	9,574.6	1,561.0	1,391.1	9,989.7	10,965.7
Investment in associates	-	-	-	-	1,330.6	1,208.4
	8,428.7	**9,574.6**	**1,561.0**	**1,391.1**	**11,320.3**	**12,174.1**
Segment liabilities	699.9	1,334.3	2,454.1	2,136.9	3,154.0	3,471.2
Capital expenditure	218.2	203.5	199.4	167.3	417.6	370.8

6 EXPENSES BY NATURE

	Group		Company	
The following items have been charged/(credited) in arriving at operating profit:	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Profit on disposal of property, plant and equipment	(113.7)	(10.5)	(93.8)	(8.8)
Employee benefits expense (Note 7)	3,596.3	3,862.1	2,546.8	2,761.3
Trade receivables-provision for impairment (Note 21)	333.3	248.7	311.5	207.3
Operating lease rentals-office buildings	206.1	196.3	163.4	142.1
Depreciation of property, plant & equipment	541.4	523.9	431.5	419.5
Accelerated depreciation on broadcasting equipment	-	69.1	-	41.5
Total depreciation of property, plant & equipment (Note14)	541.4	593.0	431.5	461.0
Goodwill impairment	131.9	29.0	-	-
Amortisation of intangible assets	41.6	37.4	33.6	27.4
Total Amortisation of intangible assets (Note 15)	173.5	66.4	33.6	27.4
Operating lease rentals-leasehold land (Note 16)	1.2	1.2	0.8	0.8
Provision for spares	25.2	(15.0)	24.8	(10.8)
Auditors' remuneration	26.0	24.8	12.5	11.9
Repairs and maintenance expenditure on property, plant and equipment	15.3	12.0	(2.4)	8.9

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

7 EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Salaries and wages	3,303.0	3,562.8	2,386.5	2,541.5
Severance pay	259.0	138.8	218.1	138.8
Defined contribution benefit scheme	115.2	102.7	94.5	97.3
National Social Security Fund	75.2	77.7	3.8	3.6
Post employment benefit obligation	(156.1)	(19.9)	(156.1)	(19.9)
	3,596.3	**3,862.1**	**2,546.8**	**2,761.3**

The number of persons employed by the Group at the year end was:	2017	2016
	Number	Number
Full time	1,211	1,313
Part time	331	349
	1,542	**1,662**

8 (A) FINANCE INCOME

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Interest income	319.0	308.3	295.8	294.4
(B) FINANCE COSTS				
Interest expense	-	(2.1)	-	-

9 INCOME TAX EXPENSE

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Current income tax	835.0	896.0	791.1	891.2
Deferred income tax (Note 13)	(191.2)	(124.9)	(258.4)	(143.3)
	643.8	**771.1**	**532.7**	**747.9**

NOTES TO THE FINANCIAL STATEMENT (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	
	2017 Shs m	2016 Shs m	2017 Shs m	2016 Shs m
Profit before income tax	1,954.6	2,460.0	1,608.9	2,254.0
Tax calculated at the statutory tax rate of 30% (2016:30%)	586.4	738.0	482.7	676.2
Tax effect of:				
- income not subject to tax	(32.0)	(9.4)	(32.0)	(9.4)
- Expenses not deductible for tax purposes	48.4	54.4	45.5	94.4
Under/(over) provision of deferred tax in prior years	7.4	(11.0)	0.2	(13.3)
Under/(over) provision of current tax in prior years	33.6	(0.9)	36.3	-
Income tax expense	**643.8**	**771.1**	**532.7**	**747.9**

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		Company	
	2017	2016	2017	2016
Net profit attributable to shareholders (Shs million)	1,304.9	1,685.6	1,059.4	1,506.1
Weighted average number of ordinary shares in issue (million)	188.5	188.5	188.5	188.5
Basic earnings per share (Shs)	**6.9**	**8.9**	**5.7**	**8.0**

There were no potentially dilutive ordinary shares outstanding as at 31 December 2017 as or 2016. Diluted earnings per share is therefore the same as basic earnings per share.

11 SHARE CAPITAL

	Group & Company	
	Number of shares (million)	Ordinary shares Shs m
Authorised (par value of Shs 2.5 per share)	240	600
Issued and fully paid:		
31 December 2016	188.5	471.4
31 December 2017	188.5	471.4

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

12 OTHER RESERVES

	Revaluation reserve on buildings Shs m	Transactions with Non controlling and other Interest Shs m	Currency translation Shs m	Total Shs m
Group				
As at 1 January 2016	181.7	(35.4)	(202.7)	(56.4)
Share of comprehensive income from associate	-	(23.4)	-	(23.4)
Currency translation differences	-	-	(26.1)	(26.1)
Transfer of excess depreciation	(9.4)	-	-	(9.4)
Deferred tax on transfer of depreciation	2.8	-	-	2.8
Balance as at 31 December 2016	**175.1**	**(58.8)**	**(228.8)**	**(112.5)**
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)**

	Revaluation reserve on buildings Shs m	Total Shs m
Company		
As at 1 January 2016	124.7	124.7
Transfer of excess depreciation	(4.6)	(4.6)
Deferred tax on transfer of depreciation	1.4	1.4
Balance as at 31 December 2016	**121.5**	**121.5**
As at 1 January 2017	121.5	121.5
Revaluation of buildings	(24.0)	(24.0)
Deferred income tax on revaluation	7.2	7.2
Revaluation of buildings	(16.8)	(16.8)
Balance as at 31 December 2017	**104.7**	**104.7**

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

13 DEFERRED INCOME TAX

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
At start of year	(66.1)	58.8	(6.7)	136.6
(Credit) to profit and loss	(191.2)	(124.9)	(258.4)	(143.3)
Charge/ (credit) to the statement of comprehensive income	3.1	-	(7.2)	-
At end of year	**(254.2)**	**(66.1)**	**(272.3)**	**(6.7)**
Presented by:				
Deferred income tax liabilities	25.9	15.2	-	-
Deferred income tax assets	(280.1)	(81.3)	(272.3)	(6.7)
At end of year	**(254.2)**	**(66.1)**	**(272.3)**	**(6.7)**

	1.1.17	Charged/ (credited) to P&L	Charged/ (credited) to OCI	31.12.17
Group	**Shs m**	**Shs m**	**Shs m**	**Shs m**
Year ended 31 December 2017				
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)**

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

13 DEFERRED INCOME TAX (CONTINUED)

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

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

Company 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	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)	**(6.7)**	**(258.4)**	**(7.2)**	**(272.3)**

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land Shs m	Buildings Shs m	Plant and equipment Shs m	Total Shs m
As at 1 January 2016				
Cost or valuation	7.0	802.5	8,198.2	9,007.7
Accumulated depreciation	-	(123.1)	(5,405.4)	(5,528.5)
Net book value	**7.0**	**679.4**	**2,792.8**	**3,479.2**
Year ended 31 December 2016				
Opening net book value	7.0	679.4	2,792.8	3,479.2
Additions	-	-	340.7	340.7
Disposals	-	-	(6.4)	(6.4)
Depreciation charge	-	(22.3)	(570.7)	(593.0)
Currency translation differences	-	(5.5)	(19.9)	(25.4)
Closing net book value	**7.0**	**651.6**	**2,536.5**	**3,195.1**
Year ended 31 December 2017				
Opening net book value	**7.0**	**651.6**	**2,536.5**	**3,195.1**
Additions	-	2.0	389.6	391.6
Disposals	-	-	(5.5)	(5.5)
Revaluation of buildings	2.1	6.7	-	8.8
Depreciation charge	-	(21.9)	(519.5)	(541.4)
Currency translation differences	-	(1.5)	(2.8)	(4.3)
Closing net book value	**9.1**	**636.9**	**2,398.3**	**3,044.3**
As at 31 December 2017				
Cost or valuation	9.1	806.9	9,010.5	9,826.5
Accumulated depreciation	-	(170.0)	(6,612.2)	(6,782.2)
Net book value	**9.1**	**636.9**	**2,398.3**	**3,044.3**

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land Shs m	Buildings Shs m	Plant and equipment Shs m	Total Shs m
Company				
Year ended 31 December 2016				
Opening net book value	7.0	517.3	2,278.9	2,803.2
Additions	-	-	227.3	227.3
Disposals	-	-	(3.3)	(3.3)
Depreciation charge	-	(19.5)	(441.5)	(461.0)
Closing net book value	**7.0**	**497.8**	**2,061.4**	**2,566.2**
As at 31 December 2016				
Cost or valuation	7.0	596.2	6,683.2	7,286.4
Accumulated depreciation	-	(98.4)	(4,621.8)	(4,720.2)
Net book value	**7.0**	**497.8**	**2,061.4**	**2,566.2**
Year ended 31 December 2017				
Opening net book value	7.0	497.8	2,061.4	2,566.2
Additions	-	2.0	299.5	301.5
Disposals	-	-	(1.8)	(1.8)
Revaluation	2.1	(27.4)	-	(25.3)
Depreciation charge	-	(19.0)	(412.5)	(431.5)
Closing net book value	**9.1**	**453.4**	**1,946.6**	**2,409.1**
As at 31 December 2017				
Cost or valuation	9.1	570.8	6,966.0	7,545.9
Accumulated depreciation	-	(117.4)	(5,019.4)	(5,136.8)
Net book value	**9.1**	**453.4**	**1,946.6**	**2,409.1**

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

	Group		Company	
	2017 Shs m	2016 Shs m	2017 Shs m	2016 Shs m
Cost	560.7	560.6	411.0	411.0
Accumulated depreciation	(157.3)	(135.4)	(133.9)	(114.9)
Net book value	**403.4**	**425.2**	**277.1**	**296.1**

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's buildings on leasehold land were revalued on 24 October 2017 by independent professional valuers. The basis for the valuation was open market value. The book values of the properties were adjusted to the revalued amounts and the resulting surplus, net of deferred tax, was credited to the revaluation reserve in shareholders' equity. The fair value of the buildings as at 31 December 2017 are follows:

Non- financial asset	Fair Value as at 31 December 2017	Fair value hierarchy*	Valuation technique (s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold buildings	Group – Shs 642.4 m Company – Shs 466.5 m	Level III	Open market value basis	Not applicable	Not applicable

* The fair value hierarchy is determined using different valuation methods, refer to Note 4 (e) for the different level of fair value measurement hierarchy.

15 INTANGIBLE ASSETS

	Goodwill Shs m	Computer software Shs m	Transmission Frequencies Shs m	Total Shs m
Group				
As at 1 January 2016				
Cost	187.9	509.9	27.2	725.0
Accumulated amortisation	-	(392.2)	(27.2)	(419.4)
Net book value	**187.9**	**117.7**	**-**	**305.6**
Year ended 31 December 2016				
Opening net book value	187.9	117.7	-	305.6
Additions	-	30.1	-	30.1
Amortisation	-	(37.4)	-	(37.4)
Impairment	(29.0)	-	-	(29.0)
Currency translation differences	-	(0.8)	-	(0.8)
Closing net book value	**158.9**	**109.6**	**-**	**268.5**
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**
As at 31 December 2017				
Cost	187.9	567.3	-	755.2
Accumulated amortization	(160.9)	(473.4)	-	(634.3)
Net book value	**27.0**	**93.9**	**-**	**120.9**

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

15 INTANGIBLE ASSETS (CONTINUED)

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

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

	Operating Segment	2017 Shs m	2016 Shs m
Mwananchi Communications Limited	Newspapers	-	115.4
Monitor Publications Limited	Newspapers	23.0	23.0
Radio Uhuru Limited	Broadcasting	4.0	20.5
		27.0	**158.9**

Movement in goodwill	**2017 Shs m**	**2016 Shs m**
At start of year	158.9	187.9
Impairment of goodwill allocated to MCL	(115.4)	(13.5)
Impairment of goodwill allocated to RUL	(16.5)	(15.5)
At end of year	**27.0**	**158.9**

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

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of 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;

2017 and 2016	**Mwananchi Communications Limited**	**Monitor Publication Limited**
Pre-tax Discount rate	21.5%	22%
Long term growth rate	6%	6%
Gross profit margin	75%	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.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

15 INTANGIBLE ASSETS (CONTINUED)

	Computer software Shs m	Transmission Frequencies Shs m	Total Shs m
Company			
As at 1 January 2016			
Cost	449.8	27.2	477.0
Accumulated amortization	(350.6)	(27.2)	(377.8)
Net book value	**99.2**	**-**	**99.2**
Year ended 31 December 2016			
Opening net book value	99.2	-	99.2
Additions	29.1	-	29.1
Amortisation	(27.4)	-	(27.4)
Closing net book value	**100.9**	**-**	**100.9**
As at 31 December 2016			
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**

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

16 PREPAID OPERATING LEASE RENTALS

	Group		Company	
	2017 Shs m	2016 Shs m	2017 Shs m	2016 Shs m
At start of year	74.5	76.1	45.0	45.8
Disposal	(0.4)	-	(0.4)	-
Amortisation for the year	(1.2)	(1.2)	(0.8)	(0.8)
Currency translation differences	(0.6)	(0.4)	-	-
At end of year	**72.3**	**74.5**	**43.8**	**45.0**

17 INVESTMENT IN ASSOCIATE

	Group	
	2017 Shs m	2016 Shs m
At start of year	1,208.4	1,115.4
Share of profit before income tax	114.1	153.4
Share of income tax expense	(20.3)	(31.5)
	93.8	**121.9**
Dividends received	(5.5)	(5.5)
Share of other comprehensive income	33.9	(23.4)
At end of year	**1,330.6**	**1,208.4**

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

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

	Country of incorporation	% interest held	Assets Shs m	Liabilities Shs m	Revenues Shs m	Profit/ (loss) Shs m	Other comprehensive income Shs m
Year 2017							
Property Development and Management Limited	Kenya	20%	9,788.6	2,742.2	651.6	468.6	169.4
Year 2016							
Property Development and Management Limited	Kenya	20%	8,686.9	2,248.7	579.9	609.3	(116.9)

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

18 INVESTMENT IN SUBSIDIARIES

	Company 2017 Shs m	Company 2016 Shs m
At start and end of year	**950.6**	**1,012.6**

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

	Company country of incorporation	Holding %	2017 Shs m	2016 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	2.0	-
			1,153.3	**1,151.3**
Non trading subsidiaries:				
Nation Carriers Limited	Kenya	100.0	3.0	3.0
Nation Infotech Limited	Kenya	100.0	1.5	1.5
East African 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	**1,176.3**
Provision for impairment on investment in:				
Mwananchi Communications Limited			(173.0)	(125.5)
Africa Broadcasting Uganda Limited			(17.5)	(17.5)
Radio Uhuru Limited			(16.5)	-
Nation Holdings Rwanda Limited			(8.3)	(8.3)
Nation Holdings Tanzania Limited			(12.4)	(12.4)
			(227.7)	**(163.7)**
Net investment in subsidiaries			**950.6**	**1,012.6**

During the year the Group acquired 51% shareholding in Kenya Buzz Limited at a cost of Shs 2.0m.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

19 LONG-TERM DEPOSIT

	Group & Company	
	2017	2016
	Shs m	Shs m
Long-term deposits	**161.0**	**183.0**

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

20 INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Raw materials	570.3	1,075.9	438.0	886.6
Engineering spares	218.4	205.7	198.3	188.1
Other stock	57.6	137.2	57.5	126.7
Gross inventory	**846.3**	**1,418.8**	**693.8**	**1,201.4**
Less provision for obsolete stock	(208.7)	(183.5)	(205.9)	(181.2)
	637.6	**1,235.3**	**487.9**	**1,020.2**

The cost of inventories recognised as an expense and included in the consolidated 'cost of sales' amounted to Shs 1,388.8 million (2016: Shs 1,461.9 million).

21 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Trade receivables	4,217.1	4,007.0	3,113.9	2,876.4
Less: provision for doubtful debt	(3,083.4)	(2,750.1)	(2,163.9)	(1,852.4)
	1,133.7	**1,256.9**	**950.0**	**1,024.0**
Due from related parties (Note 31)	6.8	4.2	416.2	310.6
Less: provision for doubtful debt	-	-	(270.9)	-
			145.3	310.6
Other receivables and prepayments	1,121.9	1,219.6	763.0	849.6
	2,262.4	**2,480.7**	**1,858.3**	**2,184.2**

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

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
At start of year	2,750.1	2,501.4	1,852.4	1,645.1
Provision in the year	333.3	248.7	311.5	207.3
At end of year	**3,083.4**	**2,750.1**	**2,163.9**	**1,852.4**

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

22 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Shs m	**Shs m**	**Shs m**	**Shs m**
Cash and bank balances	548.3	282.1	366.9	141.9
Fixed deposits with banks	1,144.3	1,062.6	844.3	932.2
Cash and cash equivalents	**1,692.6**	**1,344.7**	**1,211.2**	**1,074.1**

23 SHORT TERM INVESTMENTS

Fixed deposits with banks	731.4	1,143.4	731.4	1,143.4
Treasury bills	95.8	191.7	95.8	191.7
Other short term investments	786.7	767.5	786.7	767.5
Short term investments	**1,613.9**	**2,102.6**	**1,613.9**	**2,102.6**

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 9.3% (2016 : 10.3%), while that on the treasury bills was 10.5 % (2016 : 10.3%) and that of the other short term investments was 11.1% (2016: 10.5%). The carrying amounts of the above short term investments approximate their fair values.

24 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Shs m	**Shs m**	**Shs m**	**Shs m**
Trade payables	832.4	811.1	476.1	474.8
Due to related parties (Note 31)	6.7	7.8	35.3	45.2
Accrued expenses	1,450.2	1,122.5	1,253.3	929.9
Other payables	353.8	632.8	371.3	552.1
	2,643.1	**2,574.2**	**2,136.0**	**2,002.0**

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

25 PROVISION FOR CLAIMS AND OTHER LIABILITIES

	Group		Company	
Provision for claims and other liabilities	**Shs m**	**Shs m**	**Shs m**	**Shs m**
	2017	**2016**	**2017**	**2016**
At 1 January	441.3	404.0	418.2	380.3
Payments in the year	(84.6)	(31.6)	(84.7)	(31.6)
Charge for the year	120.9	68.9	119.8	69.5
At 31 December	**477.6**	**441.3**	**453.3**	**418.2**

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 certainty. The impact of discounting on the provision is not considered to be material.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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:

	2017 Shs m	2016 Shs m
Opening balance	265.1	266.8
Payments in the year	(8.2)	(6.1)
Credit to P&L	(156.1)	(19.9)
Transfer to external scheme	(93.4)	-
Accrued interest	-	24.3
Closing balance	**7.4**	**265.1**

	2017 Shs m	2016 Shs m
Present value of funded obligations	(100.8)	(265.1)
Fair value of plan assets (fixed term deposit)	93.4	-
Deficit on funded plan	**(7.4)**	**(265.1)**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

At 31 December 2017

Current service cost	**At current discount rate**	**0.5% Increase**	**0.5% Decrease**
	Shs m	**Shs m**	**Shs m**
Present value of obligation	100.8	101.3	100.3

The significant actuarial assumptions were as follows;

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.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

27 DIVIDENDS

During the year, an interim dividend of Shs 2.5 per share, amounting to Shs 471.4 million was paid (2016: Shs 471.4 million) . At the annual general meeting to be held on 29 June 2018, a final dividend in respect of the year ended 31 December 2017 of Shs 7.5 per share amounting to Shs 1,414.1 million (2016: Shs 1,414.1 million) will be proposed. The total dividend for the year is therefore Shs 10.0 per share (2016: Shs 10.0), amounting to Shs 1,885.5 million (2016: 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 statement of financial position date are as follows:

	Group	
	2017	**2016**
	Shs m	**Shs m**
Contracted for but not provided for	39.9	29.7

Operating leases

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2017	**2016**
	Shs m	**Shs m**
Not later than 1 year	151.9	146.6
Later than 1 year and not later than 5 years	666.5	642.4
	818.4	**789.0**

29 CONTINGENT LIABILITIES

The Group is a defendant in various legal claims brought against the Group in the normal course 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.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

30 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Reconciliation of profit before tax to cash generated from operations				
Profit before income tax	1,954.6	2,460.0	1,608.9	2,254.0
Adjustment for:				
Depreciation of property, plant and equipment (Note 14)	541.4	593.0	431.5	461.0
Amortisation/ write off of intangible assets (Note 15)	173.5	66.4	33.6	27.4
Amortisation of prepaid operating lease rentals (Note 16)	1.2	1.2	0.8	0.8
Profit on sale of property, plant and equipment	(113.7)	(10.5)	(93.8)	(8.9)
Impairment of subsidiary	-	-	64.0	118.8
Interest income (Note 8)	(319.0)	(308.3)	(295.8)	(294.4)
Interest expense (Note 8)	-	2.1	-	-
Share of result after tax of associate (Note 17)	(93.8)	(121.9)	-	-
Dividend received from associate	-	-	(5.5)	(5.5)
Changes in working capital:				
- post employment benefit obligation	(257.7)	(1.7)	(257.7)	(1.7)
- inventories	597.7	(341.5)	532.3	(481.5)
- receivables and prepayments	218.3	457.8	325.9	382.4
- payables and accrued expenses	105.2	(270.7)	169.1	(96.8)
- short-term investments	488.7	(280.3)	488.7	(280.3)
Cash generated from operations	**3,296.4**	**2,245.6**	**3,002.0**	**2,075.3**
Translation of net investment in foreign subsidiaries	4.1	(2.4)	-	-

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. Transactions with related parties are carried out at normal commercial terms and conditions. The following transactions were carried out with related parties.

(i) Sale of goods and services	Group		Company	
	2017	2016	2017	2016
	Shs m	Shs m	Shs m	Shs m
Subsidiaries:				
Monitor Publications Limited	-	-	5.1	14.4
Mwananchi Communications Limited	-	-	26.4	28.4
Other related parties:				
Property Development and Management Limited	0.8	0.9	0.8	0.9
TPS Eastern Africa Limited	16.5	16.4	0.9	7.0
Jubilee Holdings Limited	7.8	16.4	5.4	15.1
	25.1	**33.7**	**38.6**	**65.8**
(ii) Purchase of goods and services				
Subsidiaries:				
Monitor Publications Limited	-	-	0.3	2.0
Mwananchi Communications Limited	-	-	42.8	43.5
Other related parties:				
Property Development and Management Limited	157.1	147.9	157.1	147.9
TPS Eastern Africa Limited	28.2	37.2	5.6	7.8
Jubilee Holdings Limited	235.4	214.5	208.6	181.9
	420.7	**399.6**	**414.4**	**383.1**

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

31 RELATED PARTIES (CONTINUED)

(iii) Outstanding balances from transactions with related parties	Group		Company	
	2017	**2016**	**2017**	**2016**
Amounts due from related parties	**Sh m**	**Shs m**	**Shs m**	**Shs m**
Subsidiaries:				
Mwananchi Communications Limited	-	-	19.5	58.2
Monitor Publications Limited	-	-	114.8	17.0
Nation Infotech Limited	-	-	0.9	0.9
Radio Uhuru Limited	-	-	4.9	4.9
Nation Marketing and Publishing Limited	-	-	39.3	21.3
Nation Holdings Rwanda Limited	-	-	231.6	207.3
Kenya Buzz Limited	-	-	2.1	-
Nation Holdings Tanzania Limited	-	-	3.1	-
Other related parties:				
TPS Eastern Africa Limited	6.5	3.4	(0.0)	0.3
Jubilee Holdings Limited	0.3	0.8	0.1	0.7
	6.8	**4.2**	**416.2**	**310.6**
Provision for impairment				
Nation Holdings Rwanda Limited	-	-	(231.6)	-
Nation Marketing and Publishing Limited	-	-	(39.3)	-
	6.8	**4.2**	**145.3**	**310.6**
Amounts due to related parties				
Subsidiaries:				
Africa Broadcasting Uganda Limited	-	-	32.9	37.3
Monitor Publications Limited	-	-	-	-
Nation Marketing and Publishing Limited	-	-	-	-
Nation Holdings Tanzania Limited	-	-	-	4.9
Other related parties:				
Property Development and management limited	0.6	0.6	0.6	0.6
Jubilee Insurance	2.5	5.0	0.8	1.6
TPS Eastern Africa Limited	3.6	2.2	1.0	0.8
	6.7	**7.8**	**35.3**	**45.2**
(iv) Loans to executive directors				
At start of year	0.7	3.5	0.7	3.5
Loans advanced during the year	1.6	1.5	1.6	1.5
Loans repaid during the year	(2.3)	(4.3)	(2.3)	(4.3)
At end of year	**-**	**0.7**	**-**	**0.7**

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

31 RELATED PARTIES (CONTINUED)

(v) Key management compensation

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

	Group	
	2017 Shs m	2016 Shs m
Salaries and other short term employment benefits	109.9	106.2

(vi) Directors' remuneration	Group		Company	
	2017 Shs m	2016 Shs m	2017 Shs m	2016 Shs m
Fees for services as director	28.0	29.3	25.4	28.6
Salaries and other short term employment benefits	109.9	106.2	109.9	106.2
Other benefits	12.9	14.3	12.9	14.2
	150.8	**149.8**	**148.2**	**149.0**

(vii) Other related party transactions

Included as part of cash and cash equivalents in the Company as at 31 December 2017 are the following balances with related parties:

	Company	
	2017 Shs m	2016 Shs m
Term deposit with Diamond Trust Bank Kenya Limited	636.8	510.7
Short term note investment with Industrial Promotion Services (K) Limited	400.0	400.0
	1,036.8	**910.7**

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

The short term investment note with Industrial Promotion Services (K) Limited is for a duration of 3 months, attracting an interest rate of 11.0% per annum for 2017 and 10.0% per annum for 2016.

PRINCIPAL SHAREHOLDERS AND THEIR RESPECTIVE SHAREHOLDING AT 31 DECEMBER 2017

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	3,426,833	1.82
4	Stanbic Nominees Limited	3,382,765	1.79
5	Standard Chartered Nominees Resd A/C Ke11450	2,283,828	1.21
6	Kenya Commercial Bank Nominees Limited A/C 915b	2,266,033	1.20
7	The Jubilee Insurance Company of Kenya Limited	2,265,118	1.20
8	Standard Chartered Nominees Resd A/C Ke11401	2,130,717	1.13
9	Kenya Commercial Bank Nominees Limited A/C 915a	1,889,389	1.00
10	Standard Chartered Nominees Resd A/C 9827	1,314,435	0.70

DISTRIBUTION OF SHAREHOLDING AT 31 DECEMBER 2017

No. of shares	No. of shareholders	No. of shares held	% of shareholding
1 – 500	4,554	850,921	0.45
501 – 5,000	4,698	9,671,672	5.13
5,001 – 10,000	855	6,423,813	3.41
10,001 – 100,000	946	24,023,104	12.74
100,001 – 1,000,000	97	23,084,145	12.24
Over 1,000,000	12	124,488,631	66.03
Total	**11,162**	**188,542,286**	**100.00**

DIRECTORS SHAREHOLDING

Name	No. of shares held	% of Shareholding
Yasmin Jetha	15,175	0.0080
Wangethi Mwangi	6,774	0.0036
Stephen Gitagama	1,296	0.0007
Tom Mshindi	240	0.0001

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 29th June 2018 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 29 Juni 2018 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

NOTES

Nation Media Group
Media of Africa for Africa

Nation Centre, Kimathi Street
P.O Box 49010-00100 GPO Nairobi, Kenya
Telephone: +254 20 328 8000
www.nationmedia.com