Nation Media Group Limited

Report and Accounts 2001

Ripoti na Hesabu 2001

Contents / Yaliyomo

	PAGE *UKURASA*

Desemba 31, 2001.

3. Kuwaruhusu Wakurugenzi waamue malipo ya wakaguzi, PricewaterhouseCoopers.

4. Kuwachagua tena Wakurugenzi wafuatao:-

   Kulingana na Kanuni 96 ya Kanuni za Biashara za Kampuni, Bw J Lee, kwa sababu anaweza kugombea uchaguzi, anajitolea kusimama kuchaguliwa tena.

   Kulingana na Kanuni 110 ya Kanuni za Biashara za Kampuni, Bw A Bekah, Bw R C Henry na Bw L Huebner wanastaafu kwa zamu na, kwa sababu wanaweza kugombea tena uchaguzi, wanajitolea kusimama kuchaguliwa tena.

SHUGHULI MAALUMU

5. Kujadili na yakionekana yanafaa, kupitisha maazimio yafuatayo kama Maazimio ya Kawaida:-

   Kwamba kuambatana na kibali cha Mamlaka ya Masoko ya Mtaji (Capital Markets Authority) Kshs. 89,131,575, zikiwa sehemu ya pesa zilizoko katika akiba ya mapato ya kampuni zigeuzwe kuwa rasilmali za hisa na kwamba pesa hizo zitumiwe kulipia kikamilifu na kwa usawa hisa 17,826,315 za Kshs. 5 kila moja katika rasilmali za kampuni , hisa kama

hifadhi kuu ya amana ya mwaka 2000 au masharti au taratibu zilizotolewa au kufuatwa, zitachukuliwa kuwa zimebadilishwa kwa kadiri ambavyo hazitalingana katika utekelezaji wake kwenye amana kama hizo. Kwa ajili ya Kanuni hizi za msingi za ushirikiano, usimamishaji au uzuiaji utafasiriwa sawa na unavyofasiriwa kwenye sheria ya hifadhi kuu ya amana ya mwaka 2000.

166. Wakati amana zozote za kampuni zitakapotwaliwa kufuatana na kanuni hizi za msingi za ushirikiano baada ya kuzuiwa au kusimamishwa, kampuni itakuwa na haki ya kuzihamisha amana hizo kwa hazina ya amana iliyotengwa na Wakurugenzi kwa ajili hiyo".

Kwa Amri ya Halmashauri
J C Kinyua
Katibu

Machi 21 2002

Muhimu: Mwanachama mwenye haki ya kuhudhuria mkutano na kupiga kura anaweza kumteua mwakilishi kuhudhuria mkutano na kupiga kura kwa niaba yake. Mwakilishi huyo si lazima awe mwanachama wa kampuni.

Notice of Annual General Meeting

Notice is hereby given that the Thirty Ninth Annual General Meeting of the Shareholders of Nation Media Group Limited will be held at the Nation Printing Plant, Mombasa Road, Nairobi on Thursday 30 May 2002 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the accounts for the year ended 31 December 2001 and the chairman's, directors' and auditors' reports thereon.

2. To confirm the payment of the interim dividend of 15% and to approve the payment of a final dividend of 32% on the ordinary share capital in respect of the year ended 31 December 2001.

3. To authorise the directors to fix the remuneration of the auditors, PricewaterhouseCoopers.

4. To elect and re-elect the following directors:

   In accordance with Article 96 of the Company's Articles of Association, Mr. J Lee retires and being eligible, offers himself for election.

   In accordance with Article 110 of the Company's Articles of Association Mr. A Bekah, Mr. R C Henry and Mr. L Huebner retire by rotation and, being eligible offer themselves for re-election.

SPECIAL BUSINESS

5. To consider and if thought fit pass the following resolution as an Ordinary Resolution:

   That subject to the approval of the Capital Markets Authority and the Nairobi Stock Exchange, the sum

CENTRAL DEPOSITORIES ACT 2000

165.The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company that are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the Central Depositories Act 2000 to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the Central Depositories Act 2000 or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilisation and dematerialisation shall be construed in the same way as they are construed in the Central Depositories Act 2000.

166.Where any securities of the Company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised the company shall be entitled to transfer such securities to a securities account designated by the Directors for this purpose".

By order of the Board
J C Kinyua
Secretary

21 March 2002

Note: A member entitled to attend and vote may appoint a proxy to attend and vote for him 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

Annual Highlights 2001

Group turnover increases by Shs.516 million (17%) to Shs.3.5 billion

Nation Newspapers circulation revenue increases by 8%

Newspaper advertising revenue up by 9%

Monitor Publications launches Monitor FM Radio

Monitor Publications launches a Luganda newspaper (Ngoma)

Operating profit at Shs.382 million increases by 17%

Nation Broadcasting turnover increases by 60%

What's On magazine relaunched

Profit attributable to shareholders increases by 26% to Shs.257 million

Recommended total dividend increases by 34% to 47% for the year

Matukio Muhimu Ya 2001

Mapato ya Kampuni yaliongezeka kwa Sh.516 milioni (asilimia 17) hadi Sh.3.5 bilioni.

Mapato ya usambazaji wa Nation Newspapers yaliongezeka kwa asilimia 8.

Mapato ya matangazo ya biashara ya Nation yaliongezeka kwa asilimia 9.

Kampuni ya Uchapishaji ya Monitor ilianzisha Monitor FM Radio.

Kampuni ya Uchapishaji ya Monitor ilianzisha gazeti katika lugha ya Kiganda (Ngoma).

Faida ya kibiashara ya Sh.382 milioni iliongezeka kwa asilimia 17.

Mapato ya Nation Broadcasting yaliongezeka kwa asilimia 60.

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SPECIAL BUSINESS

5. To consider and if thought fit pass the following resolution as an Ordinary Resolution:

   That subject to the approval of the Capital Markets Authority and the Nairobi Stock Exchange, the sum of Kshs.89,131,575 being part of the amount now standing to the credit of the revenue reserves of the Company, be capitalised and that the same be applied in making payment in full at par of 17,826,315 shares of Kshs.5.00 each in the capital of the Company. Such shares to be distributed as fully paid among the persons who were registered as holders of the ordinary shares in the capital of the Company at the close of business on 17 May 2002 at the rate of one new fully paid ordinary share for every two ordinary shares held by such holders respectively and further that such shares shall not qualify for the payment of the final dividend for the year 2001 declared by this meeting.

6. To consider, and if thought fit to pass, the following resolution as a Special Resolution."That the Articles of Association of the Company be amended by the addition of the following new Articles

CENTRAL DEPOSITORIES ACT 2000

165.The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company that are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the Central Depositories Act 2000 to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the Central Depositories Act 2000 or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilisation and dematerialisation shall be construed in the same way as they are construed in the Central Depositories Act 2000.

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Mapato ya Nation Broadcasting yaliongezeka kwa asilimia 60.

Jarida la "What's On" lilianzishwa.

Faida inayostahili wenye hisa iliongezeka kwa asilimia 26 hadi Sh.257 milioni.

Mgawo jumla uliopendekezwa uliongezeka kwa asilimia 34 na kufikia asilimia 47 *kwa mwaka uliomalizika.*

Tangazo la Mkutano Mkuu wa kila Mwaka

Tangazo linatolewa hapa kwamba Mkutano Mkuu wa Thelathini na Tisa wa Wenyehisa wa Kampuni ya Nation Media Group utafanywa Katika Nation Printing Plant, Mombasa Road, Nairobi, mnamo Alhamisi, Mei 30, 2002, kuanzia Saa 9 alasiri kwa madhumuni yafuatayo:-

SHUGHULI ZA KAWAIDA

1. Kupokea na kujadili hesabu za mapato na matumizi kwa mwaka uliomalizika Desemba 31, 2001, pamoja na taarifa za Mwenyekiti, Wakurugenzi na Wakaguzi.

2. Kuthibitisha malipo ya mgawo wa muda wa faida wa asilimia 15 na kuidhinisha malipo ya mgawo wa mwisho wa faida wa asilimia 32 kwa mtaji wa hisa ya kawaida kuhusiana na mwaka uliomalizika Desemba 31, 2001.

3. Kuwaruhusu Wakurugenzi waamue malipo ya wakaguzi, PricewaterhouseCoopers.

4. Kuwachagua tena Wakurugenzi wafuatao:-

   Kulingana na Kanuni 96 ya Kanuni za Biashara za Kampuni, Bw J Lee, kwa sababu anaweza kugombea uchaguzi, anajitolea kusimama kuchaguliwa tena.

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6. Kuchunguza na likifaa, kupitisha lifuatalo kama azimio maalum. "Kwamba Kanuni za Biashara za Kampuni zisahihishwe kwa kuongeza kanuni hizi zipya

SHERIA YA HIFADHI KUU YA AMANA MWAKA 2000

165. Kadiri sheria ya hifadhi kuu ya amana ya mwaka 2000 itakavyorekebishwa au kubadilishwa mara kwa mara, itatumika kwa kampuni hadi pale amana za kampuni kwa sehemu au zote zitakapozuiwa au kusimamishwa au zitakapohitajika kuzuiwa au kusimamishwa kwa mujibu wa masharti na taratibu za sheria ya hifadhi kuu ya amana mwaka 2000 kwa sehemu au amana zote, au jinsi itakavyokuwa. Kanuni ambazo zitakwenda kinyume na sheria ya hifadhi kuu ya amana ya mwaka 2000 au masharti au taratibu zilizotolewa au kufuatwa, zitachukuliwa kuwa zimebadilishwa kwa kadiri ambavyo hazitalingana katika utekelezaji wake kwenye amana kama hizo. Kwa ajili ya Kanuni hizi za msingi za ushirikiano, usimamishaji au uzuiaji utafasiriwa sawa na unavyofasiriwa kwenye sheria ya hifadhi kuu ya amana ya mwaka 2000.

166. Wakati amana zozote za kampuni zitakapotwaliwa kufuatana na kanuni hizi za msingi za ushirikiano baada ya kuzuiwa au kusimamishwa, kampuni itakuwa na haki ya kuzihamisha amana hizo kwa hazina ya amana iliyotengwa na Wakurugenzi kwa ajili hiyo".

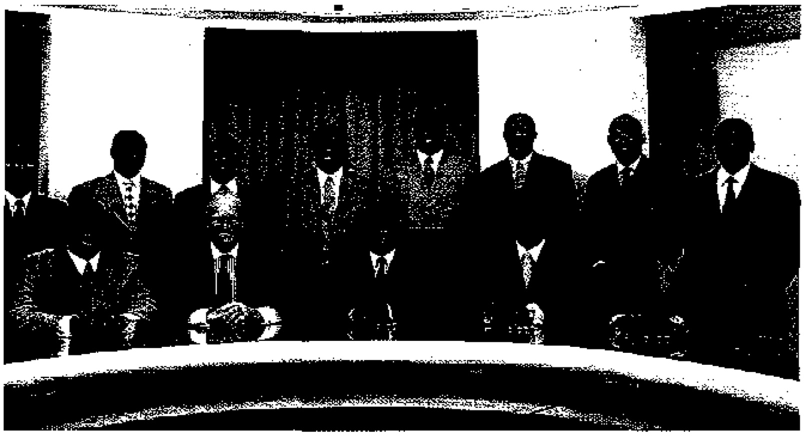
Kwa Amri ya Halmashauri
J C Kinyua
Katibu

Machi 21 2002

Muhimu: Mwanachama mwenye haki ya kuhudhuria mkutano na kupiga kura anaweza kumteua mwakilishi kuhudhuria mkutano na kupiga kura kwa niaba yake. Mwakilishi huyo si lazima awe mwanachama wa kampuni. Ili zitumike kihalali, Fomu za Uwakilishi ni lazima kukabidhiwa afisi iliyoandikishwa saa 48 kabla ya saa iliyotangazwa ya kuanza mkutano.

Corporate Governance

EXECUTIVE COMMITTEE



sitting(l-r) C Nabutola, R C Henry, W D Kiboro, E O Kidero, W Mwangi
standing (l-r) J M Mugugu, S K Shollei, E C N Githiaka, N Gathogo, K V Kaunda, J C Kinyua, P Richu, S N Kilinda (absent W Oguttu)

Your Board is committed to ensuring that the group adheres to the highest standards of corporate governance. The role of the board is to determine the company's direction and strategy, to monitor the achievement of business objectives and to ensure that the company meets its responsibilities to the shareholders. The directors are also responsible for maintaining the group's internal control systems. These controls are designed both to safeguard the group's assets and to ensure the reliability of financial information used within the business.

In line with the requirements of the Institute of Certified Public Accountants of Kenya, the group has adopted International Accounting Standards. Also, in line with the guidelines on Corporate Governance issued by the Capital Markets Authority, the Board has set up the following Board Committees:-

1. Nomination Committee, which meets as required and is responsible for executive and non-executive board appointments.

2. Finance and Audit Committee, which meets a minimum of four times a year. The committee's main duties are to ensure that the systems of internal control are effectively administered; to define the responsibilities of the internal auditors and to review the financial statements and interim results.

3. Strategic Planning Committee, which meets at least four times a year to consider and advise on the group's medium and long term strategic aims and direction.

4. Editorial Committee, which meets at least four times a year and additionally as required, to consider and advise on group editorial strategy, the journalistic code of ethics and legal responsibilities.

5. Remuneration Committee, which meets as required to consider executive and non-executive directors remuneration.

There is a comprehensive budgeting system in place with an annual business plan approved by the Board each December. Each month, management accounts containing actual versus budgeted results and revised forecasts for the year are prepared and reported to the Board. The monthly management accounts analyse and explain variances against budget and report on key performance indicators.

There is a clearly defined organisational structure within which individual responsibilities are identified in relation to internal financial controls. The structure is complemented by policies and management operates the business in compliance with these policies. The policies include guidelines for authorisation and approval for both revenue, capital and operating expenditure.

The group has defined administrative procedures and financial controls, including information system controls, to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications.

There are also procedures to ensure that assets are subject to proper physical controls and that the organisation provides for the appropriate segregation of duties.

The Group Chief Executive chairs the Executive Committee, which comprises the executive directors and certain other senior executives. The committee meets regularly and its purpose is to deal with operational matters and to improve communication and co-ordination through the group's various subsidiary companies and divisions.

The directors believe that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to prepare the accounts using the going concern basis. A statement of directors' responsibilities in relation to the accounts appears on page 18.

In respect of health, safety and environmental policies, the group is committed to meeting world class standards in all its operations. The group printing plant and the Nation Carriers division have been ISO 9000 certified since 1999 and the other activities of the Nation Newspapers division achieved ISO 9001:2000 certification earlier this year.

Hannington Awori, Chairman

Chairman's Statement

The Nation Media Group achieved strong growth in the year to 31 December 2001. The group remained independent and trustworthy whilst achieving a good economic return.

2001 RESULTS

Profit attributable to shareholders for 2001 improved by 26% to Kshs.256.7 million. As a result of the strong operating cash flow of Kshs.593 million the group was able to carry out a capital expenditure programme of Kshs.256 million and, in addition, to repay all its outstanding medium term borrowings, thereby finishing the year debt free. The directors' confidence in the continuing financial strength of the group is reflected in the proposal for the increased final dividend.

Last October, the group declared and paid an increased interim dividend of Shs.0.75 per share (15%), compared to Shs.0.55 per share (11%) in 2000. The Board now recommends a final dividend of Shs.1.60 (32%) compared to Shs.1.20 (24%) in 2000, for approval at the Annual General Meeting which, if approved, will bring the total dividend for the year to Shs.2.35 (47%) compared to Shs.1.75 (35%) last year. This represents an increased payment of 34%.

ECONOMIC ENVIRONMENT

The beginning of the year continued to be plagued by power and water rationing following the drought that had a major impact on the Kenyan economy in 2000. Despite improved weather conditions, the economy is still struggling to recover.

The Kenyan gross domestic product in 2000 grew by 0.2% and is projected to have grown by 1% for 2001. The main sectors of the economy including manufacturing, trade and building construction continue to lag behind. There has however been improved activity in tourism and agriculture. The year 2001 witnessed a number of companies restructuring, downsizing and in extreme cases relocating from Kenya. The Nairobi Stock Exchange has experienced its worst fall since its inception.

STRATEGY

Your group publishes English and Swahili daily national newspapers in Kenya and English and Luganda daily national newspapers in Uganda, as well as the regional weekly paper, The EastAfrican. It also operates radio and television stations in Nairobi and a radio station in Kampala. It continues to be the group's vision to be the leading multi-media company in East and Central Africa. In pursuit of this aim the group intends to enter the Tanzanian market in the near future with English and Swahili newspapers and a radio station.

The immediate strategy is to expand our newspaper businesses in all three countries and to achieve regional radio coverage as well as expanding the group's internet and television interests. In addition, we plan to continue to expand our magazine, book publishing and courier businesses on a regional basis.

THE BOARD

During the year Mr. James Lee was appointed to the Board and I would like to take this opportunity to welcome him. Mr. Lee is currently Chairman of Scottish Screen as well as having a number of other directorships in broadcasting enterprises in the UK. Mr. Lee brings a wealth of experience in these important new areas of our business and I am confident that this will be of enormous benefit to our group in the years ahead.

Finally, I would like to thank my other Board colleagues and, in particular, the Group Chief Executive, Mr. Wilfred Kiboro for their hard work and dedication throughout a demanding but nevertheless highly successful year for the group.

Mr. Hannington Awori
Chairman

KANU & NDP merger celebrations | The lioness and its adopted Oryx | Taliban fighters pose with their weapons in Kan

Taarifa ya Mwenyekiti

Kampuni ya Nation Media Group iliendeleza biashara vyema na kuongeza mapato kufikia kipindi kilichokamilika Desemba 31 2001. Kampuni iliweza kujimudu kifedha na kunawiri kiuchumi.

MATOKEO YA MWAKA 2001

Faida inayostahili wenyehisa kwa mwaka wa 2001 iliimarika kwa asilimia 26 na kufikia Sh.256.7 milioni. Kutokana na kiwango imara cha kufanyia kazi cha Sh.593 milioni, kampuni iliweza kutumia Sh.256 milioni katika mradi wa uwekezaji mtaji, na wakati huo huo, kulipa mikopo yake na kukamilisha mwaka bila deni. Imani ya wakurugenzi katika kuimarika kwa uwezo wa kifedha kwa kampuni inadhihirika katika pendekezo la mgawo ulioongezwa.

Oktoba mwaka uliopita, kampuni ilitangaza na kulipa mgawo wa muda wa Sh.0.75 kwa kila hisa (asilimia 15), ikilinganishwa na Sh.0.55 kwa kila hisa (asilimia 11) mnamo 2000. Sasa, halmashauri inapendekeza mgawo wa mwisho wa Sh.1.60 (asilimia 32) ikilinganishwa na Sh.1.20 (asilimia 24) mwaka wa 2000 ambao ukiidhinishwa wakati wa Mkutano Mkuu wa Mwaka, utafikisha mgawo jumla wa mwaka Sh.2.35 (asilimia 47) ikilinganishwa na Sh.1.75 (asilimia 35) mwaka uliopita. Hiyo inawakilisha ongezeko la malipo la asilimia 34.

HALI YA KIUCHUMI

Uchumi wa Kenya uliathiriwa pakubwa mwaka 2000 kutokana na hatua ya utoaji wa nguvu za umeme na maji kwa mgao kufuatia ukame. Uchumi bado haujanawiri, ingawa hali ya hewa imeimarika.

Pato la jumla la nchi liliongezeka kwa aslimia 0.2 mwaka wa 2000 na linakadiriwa kuwa litaongezeka kwa asilimia 1 mwaka 2001. Sekta kuu za uchumi, kama vile viwanda, biashara na ujenzi bado zinatatizika. Hata hivyo sekta za utalii na kilimo zimeimarika kiasi. Mwaka wa 2001 kampuni kadhaa zililazimika kupunguza wafanya kazi na hata nyingine kuhama Kenya. Soko la Hisa la Nairobi lilikumbwa na hali mbaya zaidi kibiashara tangu lilipobuniwa.

MBINU

Kampuni yenu ina magazeti ya kila siku ya kitaifa yanayochapishwa kwa lugha ya Kiingereza na Kiswahili nchini Kenya na ya Kiingereza na Kiganda nchini Uganda, mbali na jarida la kila wiki, The EastAfrican. Kadhalika, ina vituo vya redio na televisheni jijini Nairobi na kituo cha redio jijini Kampala. Mwono wa kampuni utaendelea kuwa kampuni ya magazeti na utangazaji inayoongoza Afrika Mashariki na Kati. Katika kutimiza mwono huo, kampuni inanuia kupenyeza nchini Tanzania siku zijazo na kuchapisha magazeti ya Kiswahili na Kiingereza mbali na kuanzisha kituo cha redio.

Mbinu muhimu wakati huu ni kuimarisha biashara ya magazeti katika mataifa yote matatu ya Afrika Mashariki na kuwa na vituo vya redio vinavyotangaza katika eneo hili nzima mbali na kupanua vitengo vyetu vya mtandao wa internet na televisheni. Isitoshe, tuna mipango ya kupanua vitengo vya uchapishaji jarida, vitabu na uchukuzi wa vifurushi kufikia viwango vya eneo la Afrika Mashariki.

HALMASHAURI

Wakati wa mwaka uliomalizika, Bw James Lee aliteuliwa kujiunga na Halmashauri na ningependa kuchukua nafasi hii kumkaribisha. Wakati huu, Bw Lee ni mwenyekiti wa Scottish Screen mbali na kushikilia wadhifa wa ukurugenzi katika kampuni mbalimbali za utangazaji nchini Uingereza. Bw Lee, ambaye ana ujuzi mkubwa, atatoa mchango muhimu kwa kampuni katika vitengo vipya vya kibiashara na nina hakika kwamba utafaidi kampuni yetu katika miaka ijayo.

Hatimaye, ningependa kuwashukuru Wakurugenzi wenzangu, na hasa Afisa Mkuu Mtendaji wa Kampuni, Bw Wilfred Kiboro kwa kazi yao ya bidii na kujitolea muda wote mwaka huu wenye mikabala mingi lakini wenye mafanikio kwa kampuni yetu.

Bw. Hannington Awori
Mwenyekiti

s Kenya Daniella Kimaru (centre) and runners-up

Uhuru Kenyatta with Musalia Mudavadi and Raila Odinga following his nomination

His Highness The Aga Khan with President Mkapa of Tanzania

W D Kiboro, Group Chief Executive

Record group turnover of Shs.3.5 billion and a 32% increase in profit before tax to Shs.390.2 million were the highlights of the Nation Media Group's performance in 2001 and provided strong evidence of the success of the group's clear strategic aims for the medium and long term.

Despite the poor performance of the Kenyan economy for the sixth consecutive year, Nation Media Group (NMG) increased its turnover by 17% or more than Shs.500 million for the second year running and it is particularly satisfying to be able to report that over 40% of the growth in revenue came from the new areas of our business such as Monitor Publications Limited in Uganda, The Weekly Advertiser, the Internet and Nation Broadcasting division.

The group operating profit before interest at Shs.381.5 million (Shs.325.7 million) was also 17% ahead of last year, whilst profit before tax at Shs.390.2 million (Shs.296.1 million) improved by 32% reflecting the sharp drop in financing costs following the repayment of the group's medium term borrowings.

Capital expenditure for the year at Shs.256 million was in line with the average for the past five years and was concentrated in investment in information technology and vehicle replacements so as to ensure the group remains at the forefront in all aspects of its service delivery to its customers.

NATION NEWSPAPERS DIVISION

Due largely to the increase in the cost of imported newsprint, the cover prices of all NMG's Kenyan titles, other than the EastAfrican were increased by an average of 17% in July 2001. This was the first increase for two years and it is pleasing to be able to report that, after an initial dip, sales recovered within three months to their pre-price increase levels. This was a much speedier recovery than with previous price increases and reflected the public's continuing confidence in our publications.

Improvements were made to strengthen both the visual and content appeal of our print publications. Our flagship titles, the Daily Nation and Sunday Nation, were redesigned and relaunched in July last year. They now reflect a strong, reader-friendly format and a more informative presentation. Further improvements were also made to the Saturday Nation, to distinguish it as a weekend publication. The Taifas, too, have been redesigned and the content redeveloped to give greater interest to the discerning Swahili reader as well as greater appeal to our younger readers.

Despite an overall fall of 6% in print advertising volumes nationally, NMG increased its market share thereby virtually maintaining its overall volumes. Colour advertising volumes grew by an impressive 25% and overall advertising revenue for the division was again a record.

Whilst direct costs, mainly for newsprint grew by 11% other costs were tightly controlled, and as a result the newspaper division was able to improve its operating profit by 16%.

NATION MARKETING AND PUBLISHING LIMITED

Nation Marketing and Publishing Limited (NMP) successfully relaunched What's On, the free travel publication which targets the visitor to Kenya. The publication which is published six times a year saw advertising revenue steadily improve in each of the three editions published in the second half of the year. The company's flagship free publication, The Weekly Advertiser continued to make excellent progress in an extremely tough market, with year on year revenue increasing by 10%. It is planned to relaunch the group's Business Directory as the Nation Business Directory 2003 by the end of the current year.

NATION BROADCASTING DIVISION

During the course of the year Nation Broadcasting Division (NBD) made significant progress through enhancements to equipment

Dr Besigye with his wife and supporters

Dancer at the launch of E.A. Assembly

Destruction of Ololua forest in Ngong

and strengthening of the staff. These developments yielded positive results and two years after the launch both our radio and television stations now occupy the number two positions in Nairobi. Overall revenue for the division grew by 60% with Nation television revenue growing by an impressive 159%. As a result the operating loss for the year was reduced by over 50%.

Through consumer research and the setting up of programme development strategy teams improvements have been made to programming for both radio and television. In addition, it is intended to continue to focus on increasing and improving the frequency and treatment of news on both radio and television.

The group continued inexplicably, to be denied frequencies to broadcast outside Nairobi inspite of having obtained licences from the Government over three years ago allowing us radio broadcasting in Mombasa, Nakuru and Kisumu. The group, in its expansion has already launched radio in Uganda and is contemplating entry into the broadcast media in Tanzania where the authorities provide a more positive environment for investment in this sector. The group remains ready to invest further in broadcasting and is prepapred for a national roll-out in Kenya as soon as the required frequencies are issued.

NATION CARRIERS DIVISION

Nation Carriers Division (NCD) had another excellent year with revenue growing by 17% over the previous year. The division is now responsible for the whole of the Kenyan transport requirements of the group and, as well as delivering newspapers, now provides all transport requirements for NND, NMP and NBD. The courier business grew by 28% over the previous year and now contributes a significant portion of the division's revenues. NCD has also continued to expand staff transport services for third parties.

With a modern and well maintained fleet, the division has again met its target of delivering our newspapers to most destinations countrywide by 6.00 a.m. on a regular basis.

MONITOR PUBLICATIONS LIMITED (UGANDA)

Monitor Publications Limited (MPL) performed strongly and, in only its second year with the group, achieved a satisfactory operating profit performance. Turnover increased by 12% to Shs.375 million. Capital expenditure was maintained at a similar level to the previous year with the major items being expenditure on a new commercial printing press and the launch of the Monitor FM radio station.

With the benefit of elections in the first half of the year the circulation of the Daily and Sunday Monitor each grew by over 4000 copies, over 20%, to an average of 21,500 copies and 23,500 copies respectively. The improved circulation reflected strong editorial content especially during the hotly contested presidential elections and the American war on terrorism. Advertising revenue grew strongly during the year, benefiting in particular from the formidable competition in the telecommunications sector.
Monitor FM radio was successfully launched in April 2001. Revenue is now growing steadily in an extremely competitive market and we expect it to break even during its second year of operation.

In November, MPL successfully launched a Luganda language daily, Ngoma, and currently circulation and advertising revenues are growing steadily.

During the year, MPL was awarded a World Bank tender to supply text books to primary schools for the next 4 years and the contract is expected to contribute significantly to profitability over that period.

The company's plans to extend Monitor Radio to Mbale in Eastern Uganda during the current year are well advanced and further expansion to Mbarara in Western Uganda is envisaged thereafter. The initiatives are expected significantly to enhance the performance of MPL's radio division.

INDUSTRIAL PROMOTION BUILDING LIMITED

The group's associated company Industrial Promotion Building Limited (IPB) continued to achieve occupancy levels in excess of 90% in its commercial and residential properties despite the depressed state of the property market. This reflected the underlying quality of the company's portfolio which includes the Nation Centre and the IPS Building in Nairobi's central business district. With effect from 1st January 2001 the company adopted IAS40: Investment Property, which requires changes in property values to be recorded each year in the income statement. The initial impact of implementing this new accounting standard did not affect the company's profits and NMG's share of profits for

arles Kamathi beats the great Haile Gebreselassie

Kenyan troops leave for a UN peace keeping mission in Eritrea

First speaker of the E.A. Parliament Mr. Abdul Rahman

2001 improved by 18% from Shs.14.0 million to Shs.16.5 million reflecting another successful year for IPB.

MEDIA LEGISLATION

In the second half of 2001, NBD faced the challenge of possible media legislation which threatened to limit freedom of expression in the broadcasting sector. However, as a result of strong lobbying from, among others, Members of Parliament, the International Press Institute, Media Owners Association, the Kenya Union of Journalists and the Federation of Kenya Employers, the legislation was withdrawn to allow the industry to promote ethical conduct through a Media Council.

However, at the time of writing this report, there were indications that the Government was planning to publish a broadcasting Bill to regulate the sector. In addition, it re-introduced for debate in Parliament, proposals to amend the Books and Newspapers Act to provide for tighter control of the Press. Initial representations were made to the Minister of Tourism and Information to voice the media industry's objections to this latest attempt to interfere with media operations.

Your group, through the Media Owners Association, will continue to press for a viable form of self-regulation through the framework of a non-statutory Media Council, a model that has been successfully introduced in other countries.

FUTURE PROSPECTS

The current year has got off to a strong start with newspaper circulation levels experiencing growth and advertising revenue for the first quarter at record levels. Furthermore, broadcasting revenues are also showing steady growth.

Your Board remains confident that its strategy of diversification and expansion across East and Central Africa, at a time when economic integration is being vigorously promoted in the East African Community continues to offer the best prospects for future profitable growth for your group which remains one of the most dynamic in the region.

STAFF

Finally, as well as thanking my Board colleagues for their unswerving support throughout another challenging year, I would like to thank all our customers and members of staff for their continuing and crucial contribution to the year's excellent results, not only in the group's core publishing activities across the East African region but also in our newer broadcasting and internet activities. I am confident that together we can look forward to further significant progress in the year ahead.

W D Kiboro
Group Chief Executive

Nation FM's Wangechi Murage

Denzel Washington and Halle Berry show off their Oscars

President Moi with newly elected KANU Vice Chair

Ripoti ya Afisa Mkuu Mtendaji wa Kampuni

Mapato jumla ya kujivunia ya Sh.3.5 bilioni na ongezeko la asilimia 32 katika faida kabla ya kodi hadi Sh.390.2 milioni ni matukio muhimu ya mwaka wa 2001 na likatoa ithibati nzito ya mafanikio ya malengo mahsusi ya wakati huu na siku zijazo.

Licha ya uchumi wa Kenya kuzorota mwaka wa sita mfululizo, Nation Media Group (NMG) iliongeza mapato yake jumla kwa zaidi ya Sh.500 milioni kwa mwaka wa pili mfululizo na inaridhisha kuripoti kuwa zaidi ya asilimia 40 ya ukuaji wa mapato ulitokana na vitengo vipya vya kibiashara kama vile Monitor Publications nchini Uganda, jarida la The Weekly Advertiser, mtandao wa Internet na Kitengo cha Nation Broadcasting. Mapato jumla ya mwaka yalikua kwa asilimia 17.

Faida ya kibiashara ya kampuni kabla ya riba ya Sh.381.5 milioni (Sh.325.7 milioni) pia, ilikuwa nyongeza ya asilimia 17 kuliko mwaka uliopita, hali faida kabla ya kodi ya Sh.390.2 milioni (Sh.296.1 milioni) iliimarika kwa asilimia 32 na kuonyesha kupunguka kwa gharama za kifedha baada ya kampuni kulipa mikopo yake.

Uwekezaji mtaji wa Sh.256 milioni mwaka uliomalizika ulilingana na wastani wa miaka mitano iliyopita na ulijifungia katika vitengo vya teknolojia ya habari na ununuzi wa magari mapya ili kuwezesha kampuni kuwa mstari wa mbele katika utoaji huduma kwa wateja wake.

KITENGO CHA NATION NEWSPAPERS

Kutokana na kupanda kwa gharama za karatasi za kuchapisha magazeti zinazoagizwa kutoka nchi za kigeni, bei ya magazeti yote nchini Kenya, isipokuwa jarida la The EastAfrican, iliongezwa kwa wastani wa asilimia 17 kuanzia Julai 2001. Hilo lilikuwa ongezeko la kwanza katika kipindi cha miaka miwili na nina furaha kuripoti kuwa baada ya mauzo kupunguka kwa asilia 10 mwanzoni, yalishika kasi katika miezi mitatu iliyofuatia na kurejelea kiwango awali. Hiyo ilitokea katika muda mfupi zaidi kuliko miaka mingine iliyopita na inaonyesha imani ya wananchi katika magazeti yetu.

Hatua zilichukuliwa kuboresha sura na yaliyomo katika magazeti tunayochapisha, Daily Nation na Sunday Nation, yalipewa sura mpya na kuanzishwa tena Julai mwaka uliopita. Wakati huu, yanadhihirisha mpangilio unaopendeza wasomaji mbali na kuvutia tabaka la juu katika jamii. Kadhalika, gazeti la Saturday Nation liliimarishwa kulipa upekee wa gazeti la mwisho wa wiki. Taifa Leo na Taifa Jumapili, aidha, yalisanifiwa upya na yaliyomo, kuimarishwa kuyawezesha kutimiza mahitaji ya msomaji wa Kiswahili mbali na kuvutia wasomaji vijana.

Licha ya ujumla wa matangazo ya kibiashara katika magazeti kote nchini kuanguka kwa asilimia 6, NMG iliongeza sehemu yake ya mauzo na kwa hivyo kudumisha ujumla wake. Matangazo ya kibiashara ya rangi yalikua kwa asilimia 25 huku pato jumla la matangazo ya kibiashara kwa kitengo hiki likiwa la kujivunia.

Huku gharama za moja kwa moja, hasa za karatasi za kuchapisha magazeti zikikuwa kwa asilimia 11, gharama nyingine zilihibitiwa kwa makini, na kwa njia hiyo kwa mfano, kitengo cha magazeti kiliimarisha faida yake ya kibiashara kwa asilimia 16.

NATION MARKETING AND PUBLISHING LIMITED

Nation Marketing and Publishing Limited (NMP) ilifanikiwa kuanzisha tena "What's On", jarida bure la usafiri ambalo linalenga mgeni anayezuru Kenya. Pato la matangazo ya kibiashara katika jarida hilo, ambalo linachapishwa mara sita katika mwaka, lilizidi kuimarika kwa matoleo matatu yaliyochapishwa kwa miezi sita mwaka uliomalizika. Jarida kuu bure la kampuni, The Weekly Advertiser, lilipiga hatua za ufanisi katika soko lenye mazingira magumu huku pato lake jumla likiongezeka kwa asilimia 10. Imepangwa kuanzisha tena chapisho la orodha ya anwani la kampuni za kibiashara, katika jina la Nation Business Directory 2003 kufikia mwisho wa mwaka huu.

KITENGO CHA NATION BROADCASTING

Kitengo cha Nation Broadcasting (NBD) kilipiga hatua za ufanisi kwa kuimarisha vifaa vyake na kuajiri wafanyakazi wenye ujuzi. Hatua hizo zilizalisha matokeo mazuri na miaka miwili tu baada ya kuanzishwa, vituo vyetu vya televisheni na redio vinashikilia nafasi ya pili katika ubora jijini Nairobi. Mapato jumla ya NBD yaliongezeka kwa asilimia 60 huku pato la televisheni likiongezeka kwa asilimia 159. Kutokana na hayo, hasara ya kibiashara ya mwaka uliomalizika ikapunguka kwa zaidi ya asilimia 50.

Kupitia utafiti uliofanywa miongoni mwa wateja na kuanzisha vikosi vipya vya mikakati ya ustawi, mipangilio ya vipindi vya redio na televisheni imeimarishwa. Kadhalika, inanuiwa kuendelea kupanua

ruction of the World Trade Centre on September 11

Three E.A. presidents celebrate Kisumu centenary

President Mugabe casts his vote in the presidential elections na kuimarisha masafa na uwasilishaji wa habari za redio na kwenye televisheni.

Mwaka uliomalizika, NBD iliendelea kunyimwa masafa ya ziada na kwa hivyo haikuweza kupanua utangazaji wa redio kufikia Mombasa, Nakuru na Kisumu licha ya kupokea leseni zinazohitajika miaka mitatu iliyopita. Kampuni, katika mipango yake ya upanuzi, tayari imeanzisha kituo cha redio nchini Uganda na inajiandaa kuanzisha vituo vya utangazaji nchini Tanzania ambako kuna mazingira yanayofaa uwekezaji mtaji katika sekta hii. Kampuni daima iko tayari kuanza kupeperusha matangazo yake kote nchini punde ikipata masafa yanayohitajika.

KITENGO CHA NATION CARRIERS

Kitengo cha Nation Carriers (NCD) kilikuwa na mwaka mwingine wa ufanisi baada ya pato lake kuongezeka kwa asilimia 17 ikilinganishwa na mwaka uliotangulia. Kitengo hiki sasa kinawajibikia mahitaji yote ya uchukuzi ya kampuni kote nchini, na mbali na kusambaza magazeti, kinatoa huduma kwa mahitaji ya NND, NMP na NBD. Biashara ya uchukuzi wa vifurushi ilikua kwa asilimia 28 ikilinganishwa na mwaka uliopita na sasa inachangia kiwango cha kusalia ya mapato ya kitengo. NCD pia, imeendelea kupanua huduma za uchukuzi kwa wafanyakazi wa kampuni nyingine.

Tukijihami kwa magari mapya ya kisasa, kitengo hiki, kwa mara nyingine kimetimiza malengo yake ya kusambaza magazeti katika vituo mbalimbali nchini kufikia saa kumi na mbili alfajiri kila siku.

MONITOR PUBLICATIONS LIMITED (UGANDA)

Monitor Publications Limited (MPL) ilipata matokeo mazuri na katika mwaka wa pili tu kama kampuni ndogo ya NMG ilifanikiwa kupata faida nzuri ya kibiashara. Mapato jumla yaliongezeka kwa asilimia 12 na kufikia Sh.375 milioni. Uwekezaji mtaji ulidumisha kiwango cha mwaka uliopita. Vifaa muhimu vilivyonunuliwa ni mtambo mpya wa uchapishaji na kuanzishwa kwa kituo cha redio ya Monitor FM.

Kutokana na joto la uchaguzi katika kipindi cha kwanza cha mwaka, mauzo ya nakala za Daily Monitor na Sunday Monitor yaliongezeka zaidi nakala 4,000 (zaidi ya asilimia 20), kufikia nakala 21,500 za Daily Monitor na nakala 23,500 za Sunday Monitor. Ongezeko katika mauzo linaonyesha uzito wa habari zinazochapishwa hasa wakati wa uchaguzi wa kivumbi wa urais na vita vya Amerika dhidi ya ugaidi. Pato la matangazo ya kibiashara liliongezeka mwaka uliomalizika, hasa likifaidi dhidi ya ushindani mkali katika sekta ya mawasiliano ya simu. Redio ya Monitor FM ilianzishwa April 2001. Mapato yake yameanza kuimarika katika mazingira yenye ushindani mkali na tunatarajia itafaidi kampuni katika mwaka wa pili wa kuanzishwa.

Ilipotimu Novemba, MPL ilianzisha gazeti la kila siku la lugha ya Kiganda, Ngoma, na kufikia sasa, pato la mauzo na matangazo ya kibiashara linaendelea kuimarika.

Wakati wa mwaka uliomalizika, MPL ilikabidhiwa kandarasi ya Benki ya Dunia kusambaza vitabu vya masomo katika shule za msingi kwa kipindi cha miaka minne ijayo na kandarasi hiyo inatarajiwa kuchangia, kwa ukubwa, faida katika muda huo.

Mipango ya MPL kuwezesha Redio Monitor kupeperusha habari kufikia Mbale Mashariki mwa Uganda mwaka huu inakaribia kutimia na upanuzi zaidi kufikia mjini Mbarara, Magharibi mwa Uganda imepangiwa siku za usoni. Hatua hizo zinatarajiwa kuimarisha kitengo cha redio ya MPL.

INDUSTRIAL PROMOTION BUILDING LIMITED

Kampuni tanzu ya NMG, Industrial Promotion Building Limited (IPB) iliendelea kutimiza viwango vya upangaji vinavyozidi asilimia 90 katika nyumba zake za makazi na za kibiashara licha ya kuzorota kwa soko la rasilmali. Hiyo ilionyesha ubora wa rasilmali za kampuni hiyo ambazo zinashirikisha jumba la Nation Centre na IPS Building kati kati mwa jiji Nairobi. Kuanzia Januari 1, 2001 iliazimia mbinu ya uhasibu IAS 40: (Investment Property), ambayo inahitaji mabadiliko katika thamani ya rasilmali kunakiliwa kila mwaka katika taarifa ya mapato. Athari ya awali ya kutekeleza mbinu hii mpya ya uhasibu ni kuwa haikuathiri faida ya kampuni na sehemu ya faida ya NMG ya mwaka 2001 iliimarika kwa asilimia 18 kutoka Sh.14 milioni hadi Sh.16.5 milioni kuonyesha mwaka mwingine wa mafanikio kwa IPB.

SHERIA YA VYOMBO VYA HABARI

Katika nusu ya pili ya mwaka 2001, kulikuwa na mpango wa kupitisha sheria ya vyombo vya habari ambayo ingetatiza kitengo


Kipchumba Limo takes the GSU 3000m steeple-chase title


Demolition of kiosks in Mombasa


Demonstration by nurses in Nairobi

cha utangazaji kwa kudhibiti uhuru wa kutoa maoni katika sekta ya utangazaji. Hata hivyo harakati za Wabunge, Taasisi ya Habari ya Kimataifa, Chama cha Wenye Vyombo vya Habari, Chama cha Wanahabari wa Kenya, Chama cha Waajiri wa Kenya na wengineo, zilisababisha sheria hiyo kuondolewa mbali ili kutoa nafasi kwa sekta ya utangazaji kuandaa maadili yake kupitia baraza la vyombo vya habari.

Hata hivyo wakati taarifa hii ilipokuwa ikiandaliwa, kulikuwa na dalili kwamba serikali ilikuwa na mpango wa kuchapisha mswada wa sheria ya kusimamia sekta hiyo. Aidha serikali ilianzisha tena mjadala bungeni wa mapendekezo ya kurekebisha sheria ya uchapishaji wa vitabu na magazeti ili kusimamia vilivyo vyombo vya habari. Taarifa za awali ziliwasilishwa kwa Waziri wa Utalii na Habari kupinga jaribio hili la karibuni la kutatiza utendakazi wa vyombo vya habari.

Kupitia Chama cha Wenye Vyombo vya Habari, kampuni yenu itaendelea kutetea usimamizi wa ndani kwa ndani kwa utaratibu wa Baraza la Vyombo vya Habari lisilowajibishwa kisheria, mtindo ambao umetekelezwa na kufanikiwa katika mataifa mengine.

MATARAJIO YA SIKU ZIJAZO

Mwaka huu ulianza vyema huku viwango vya mauzo ya magazeti vikionyesha ukuaji na pato la matangazo ya biashara yakivutia katika robo ya mwanzo ya mwaka. Kadhalika, pato katika kitengo cha utangazaji linaonyesha ukuaji imara.

Halmashauri yenu ina imani kuwa mbinu yake ya kuwekeza katika vitengo mbalimbali na kupanua biashara katika eneo la Afrika Mashariki na Kati wakati ambapo Jumuiya ya Afrika Mashariki inajitokeza kama muungano muhimu wa kiuchumi, inaendelea kutoa matumaini makubwa ya ongezeko la faida ya kampuni yenu siku zijazo, ikiwa kampuni bora katika eneo hili.

WAFANYAKAZI

Hatimaye, mbali na kuwashukuru wenzangu kwenye Halmashauri kwa kujitolea kwao mwaka mwingine wenye mikabala, ningependa kushukuru wafanyakazi wote kwa kuendelea kutoa mchango wao muhimu kutimiza matokeo mazuri mwaka uliopita, si tu katika kitovu cha kampuni cha uchapishaji katika eneo la Afrika Mashariki bali kwa vitengo vyetu vipya vya utangazaji na mtandao wa internet. Nina imani kuwa kwa mshikamano, tunaweza kutarajia mafanikio mema zaidi katika mwaka ulio mbele yetu.

W D Kiboro
Afisa Mkuu Mtendaji wa Kampuni

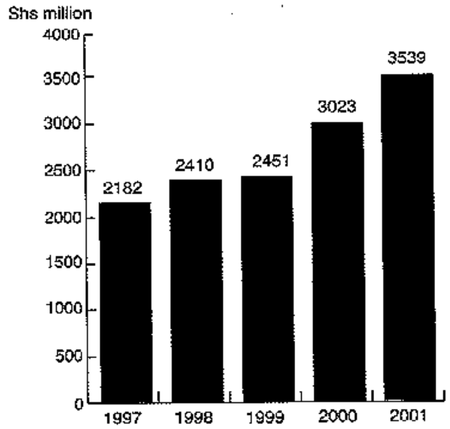
Mike Tyson bites Lennox Lewis at a press conference announcing their up-coming fight

Air traffic controllers preparing to take industrial action

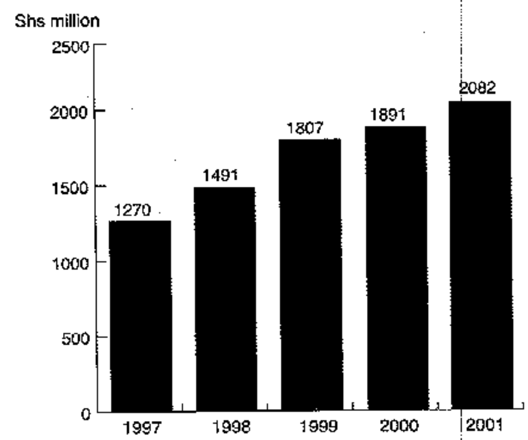
Cameroon on their way to winning the Africa Cup of Nations

Five Year Performance Statistics

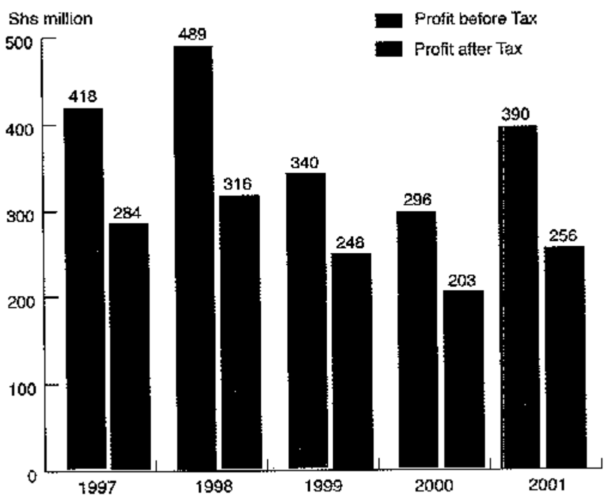
Turnover



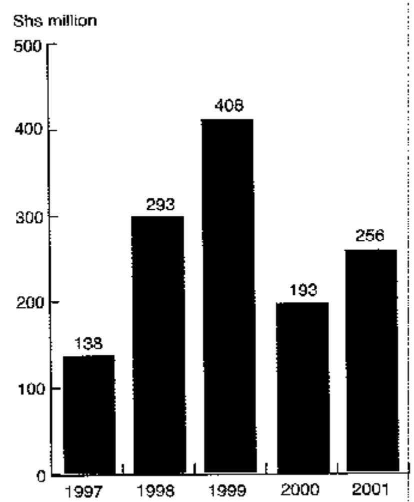
Shareholder's Funds



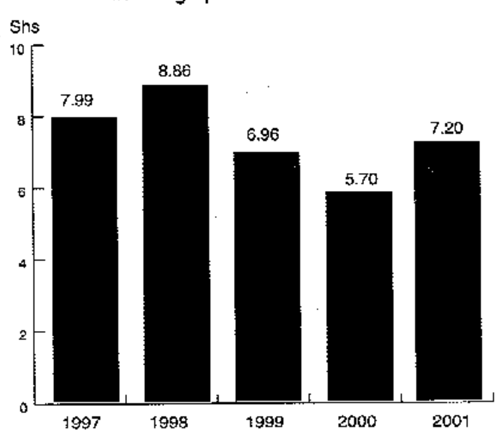
Profit Before and After Tax



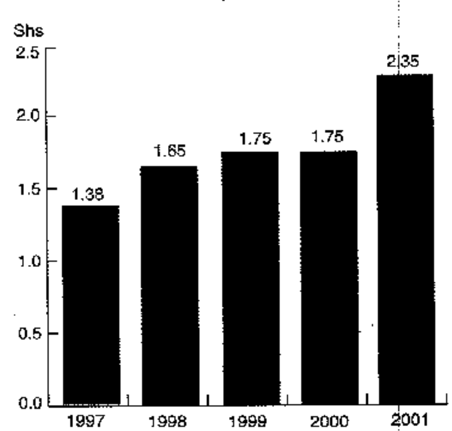
Capital Expenditure

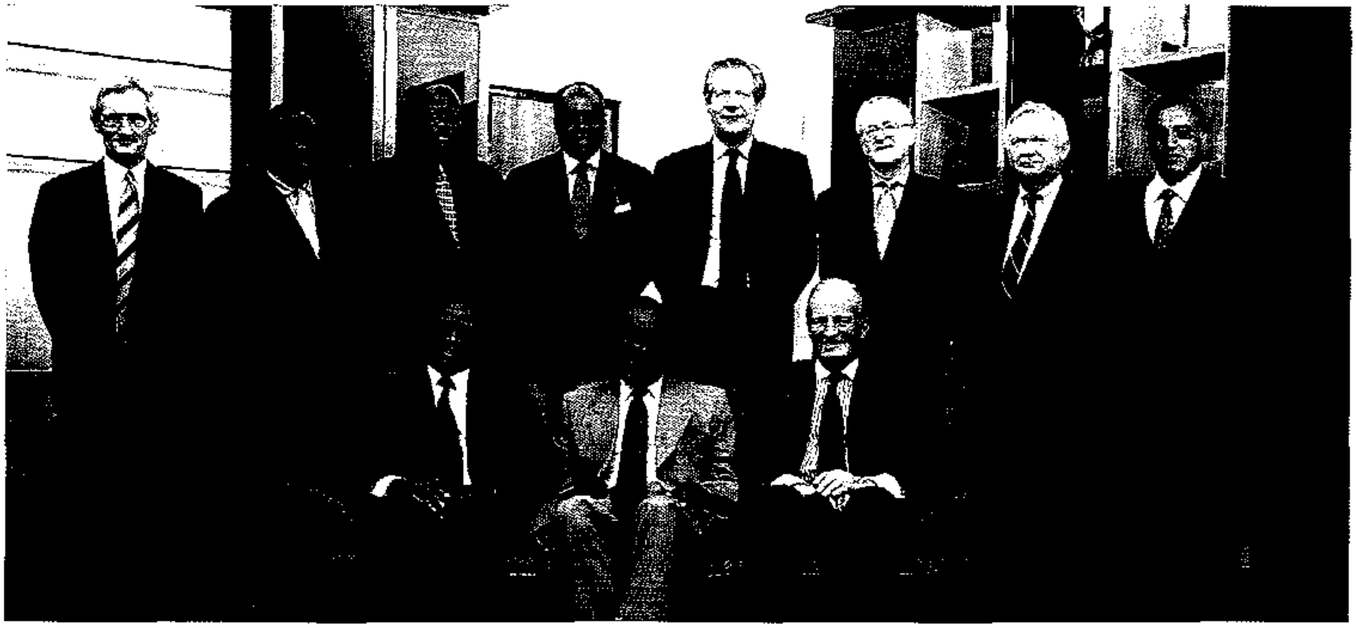


Earnings per Share



Dividends per Share





Seated l-r W D Kiboro, H H O Awori, R C Henry, *Standing L-r* D d'Acremont, A Bekah, F O Okello, M J Aliker, J Lee, G M Wilkinson, L Huebner, A Poonawala

BOARD OF DIRECTORS

H H O Awori (Chairman)	(Kenyan)
W D Kiboro (Group C.E.O)	(Kenyan)
M J Aliker	(Ugandan)
A Bekah	(Kenyan)
D d'Acremont	(French)
R C Henry	(British)
L Huebner	(American)
J Lee (appointed 11 December 2001)	(British)
F O Okello	(Kenyan)
A Poonawala	(French)
G M Wilkinson	(Irish)

SECRETARY AND REGISTERED OFFICE

J C Kinyua CPS (K)
Nation Centre
Kimathi Street
P O Box 49010
Nairobi 00100

ADVOCATES

Kaplan & Stratton
Queensway House Kaunda
Street P.O. Box 40111
Nairobi 00100

AUDITORS

PricewaterhouseCoopers
Rahimtulla Towers
Upper Hill Road
P.O. Box 43963
Nairobi 00100

BANKERS

Standard Chartered Bank Kenya Limited
Stanbank House
Moi Avenue
P.O. Box 30003
Nairobi 00100

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The predominant businesses of the group are the publication, printing and distribution of newspapers and radio and television broadcasting.

GROUP RESULTS

The results of the group for the year are set out in the profit and loss account on page 20.

DIVIDENDS

The directors recommend the payment of a final dividend of 32% on the issued share capital at 31 December 2001, which, together with the interim dividend of 15% paid on 24 October 2001, makes a total of 47% in respect of the year ended 31 December 2001.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects on its financial performance within the options available in Kenya to hedge against such risks.

DIRECTORS

The present board of directors is set out on page 15. All the directors other than Dr. M J Aliker, who was appointed on 24 April 2001 and Mr. J Lee who was appointed on 11 December 2001, have been directors throughout the year.

Mr. J Lee, a director who retires in accordance with Article 96 and, being eligible, offers himself for re-election.

Mr. A Bekah, Mr. R C Henry and Mr. L Huebner retire by rotation in accordance with Article 110 and, being eligible, offer themselves for re-election.

AUDITORS

PricewaterhouseCoopers continue in office in accordance with Section 159(2) of the Companies Act (Cap 486).

Approved by the Board
J C Kinyua
Secretary

21 March 2002

Taarifa ya Wakurugenzi

Wakurugenzi wana furaha kutoa ripoti yao pamoja na taarifa za kifedha za mwaka uliomalizika Desemba 31, 2001.

SHUGHULI KUU

Biashara muhimu za kampuni ni pamoja na uandishi wa habari, uchapishaji wa magazeti pamoja na redio na televisheni zinazopeperusha hewani matangazo.

MATOKEO YA KAMPUNI

Matokeo ya kampuni mwaka huo yamefafanuliwa kamili katika taarifa ya hesabu ya faida na hasara katika ukurasa wa 20.

MIGAWO YA FAIDA

Wakurugenzi wanapendekeza malipo ya mgawo wa mwisho wa faida wa asilimia 32 kuhusu hisa zilizotolewa za mtaji kufikia Desemba 31, 2001 ambao, pamoja na mgawo wa muda wa faida wa asilimia 15 uliolipwa Oktoba 24, 2001, unajumlisha migawo yote ya faida iliyolipwa mwaka uliomalizika Desemba 31, 2001, kuwa asilimia 47.

SERA MAALUM ZA USIMAMIZI WA FEDHA ILI KUPUNGUZA HASARA

Kampuni hukabiliwa kila mara na hatari ya kupata hasara kutokana na biashara zake mbalimbali. Baadhi ya hatari hizi ni kutoa bidhaa kwa mikopo, kushuka kwa bei za bidhaa, viwango vya kubadilisha fedha za kigeni na hata viwango vya riba. Kwa jumla, sera maalum za kukabiliana na hali kama hizi huwa na lengo la kupunguza hasara ili kuona kwamba kampuni haifilisishwi kibiashara kote nchini Kenya.

WAKURUGENZI

Halmashauri ya sasa ya Wakurugenzi ni kama ilivyofafanuliwa katika ukurasa wa 15. Wakurugenzi wote walitumika mwaka huo, isipokuwa tu, Dkt M J Aliker, aliyeteuliwa mnamo Aprili 24, 2001 na Bw J Lee, aliyeteuliwa mnamo Desemba 11, 2001.

Bw J Lee, mkurugenzi anayestaafu kulingana na Kanuni 96 na, kwa vile anaweza kugombea tena uchaguzi, anajitolea kuchaguliwa tena.

Bw A Bekah, Bw R C Henry na Bw L Huebner wanastaafu kwa zamu kulingana na Kanuni 110 na, kwa vile wanaweza kugombea tena uchaguzi, wanajitolea kuchaguliwa tena.

WAKAGUZI

PricewaterhouseCoopers itaendelea kuwa afisini kulingana na Kifungu 159(2) cha Sheria ya Makampuni (Ukurasa 486).

Imeidhinishwa na Halmashauri
J C Kinyua
Katibu

Machi 21 2002

Group Profit and Loss Account

for the year ended 31 December, 2001

	Note	2001 Shs.m	2000 Shs.m
Sales	2	3,538.8	3,022.6
Cost of sales		(978.0)	(890.1)
Gross profit		2,560.8	2,132.5
Distribution costs		(127.5)	(122.8)
Administrative expenses		(532.7)	(444.4)
Other operating expenses		(1,519.1)	(1,239.6)
Operating profit	3	381.5	325.7
Finance costs	5	(7.8)	(43.6)
Share of results of associate	14	16.5	14.0
Profit before tax		390.2	296.1
Tax	6	(127.0)	(96.0)
Profit before minority interest		263.2	200.1
Minority interest	23	(6.5)	3.0
Profit after tax		256.7	203.1
Dividends:			
Interim paid	19	26.7	19.6
Final proposed	19	57.0	42.8
		83.7	62.4
Earnings per share (Shs)			
Basic earnings per share	7	7.20	5.70
Diluted earnings per share	7	7.20	5.70

Taarifa ya Wakurugenzi

Wakurugenzi wana furaha kutoa ripoti yao pamoja na taarifa za kifedha za mwaka uliomalizika Desemba 31, 2001.

SHUGHULI KUU

Biashara muhimu za kampuni ni pamoja na uandishi wa habari, uchapishaji wa magazeti pamoja na redio na televisheni zinazopeperusha hewani matangazo.

MATOKEO YA KAMPUNI

Matokeo ya kampuni mwaka huo yamefafanuliwa kamili katika taarifa ya hesabu ya faida na hasara katika ukurasa wa 20.

MIGAWO YA FAIDA

Wakurugenzi wanapendekeza malipo ya mgawo wa mwisho wa faida wa asilimia 32 kuhusu hisa zilizotolewa za mtaji kufikia Desemba 31, 2001 ambao, pamoja na mgawo wa muda wa faida wa asilimia 15 uliolipwa Oktoba 24, 2001, unajumlisha migawo yote ya faida iliyolipwa mwaka uliomalizika Desemba 31, 2001, kuwa asilimia 47.

SERA MAALUM ZA USIMAMIZI WA FEDHA ILI KUPUNGUZA HASARA

Kampuni hukabiliwa kila mara na hatari ya kupata hasara kutokana na biashara zake mbalimbali. Baadhi ya hatari hizi ni kutoa bidhaa kwa mikopo, kushuka kwa bei za bidhaa, viwango vya kubadilisha fedha za kigeni na hata viwango vya riba. Kwa jumla, sera maalum za kukabiliana na hali kama hizi huwa na lengo la kupunguza hasara ili kuona kwamba kampuni haifilisishwi kibiashara kote nchini Kenya.

WAKURUGENZI

Halmashauri ya sasa ya Wakurugenzi ni kama ilivyofafanuliwa katika ukurasa wa 15. Wakurugenzi wote walitumika mwaka huo, isipokuwa tu, Dkt M J Aliker, aliyeteuliwa mnamo Aprili 24, 2001 na Bw J Lee, aliyeteuliwa mnamo Desemba 11, 2001.

Bw J Lee, mkurugenzi anayestaafu kulingana na Kanuni 96 na, kwa vile anaweza kugombea tena uchaguzi, anajitolea kuchaguliwa tena.

Bw A Bekah, Bw R C Henry na Bw L Huebner wanastaafu kwa zamu kulingana na Kanuni 110 na, kwa vile wanaweza kugombea tena uchaguzi, wanajitolea kuchaguliwa tena.

WAKAGUZI

PricewaterhouseCoopers itaendelea kuwa afisini kulingana na Kifungu 159(2) cha Sheria ya Makampuni (Ukurasa 486).

Imeidhinishwa na Halmashauri
J C Kinyua
Katibu

Machi 21 2002

Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the group at the end of the financial year and of the group profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual accounts that have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Accounting Standards and the requirements of the Companies Act. The directors are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the company and the group and of the group operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of accounts, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for at least the twelve months from the date of this statement.

Mr. Hannington Awori
Director

R C Henry
Director

Report of the Auditors to the Shareholders of Nation Media Group Limited

We have audited the financial statements set out on pages 20 to 37. We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit. The company's balance sheet is in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements as set out on page 18. Our responsibility is to express an independent opinion on the financial statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

OPINION

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the group's and of the company's financial affairs at 31 December 2001 and of the profit and cash flows of the group for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi
21 March 2002

Group Profit and Loss Account

for the year ended 31 December, 2001

	Note	2001 Shs.m	2000 Shs.m
Sales	2	3,538.8	3,022.6
Cost of sales		(978.0)	(890.1)
Gross profit		2,560.8	2,132.5
Distribution costs		(127.5)	(122.8)
Administrative expenses		(532.7)	(444.4)
Other operating expenses		(1,519.1)	(1,239.6)
Operating profit	3	381.5	325.7
Finance costs	5	(7.8)	(43.6)
Share of results of associate	14	16.5	14.0
Profit before tax		390.2	296.1
Tax	6	(127.0)	(96.0)
Profit before minority interest		263.2	200.1
Minority interest	23	(6.5)	3.0
Profit after tax		256.7	203.1
Dividends:			
Interim paid	19	26.7	19.6
Final proposed	19	57.0	42.8
		83.7	62.4
Earnings per share (Shs)			
Basic earnings per share	7	7.20	5.70
Diluted earnings per share	7	7.20	5.70

Balance Sheets

for the year ended 31 December, 2001

	Note	Group 2001 Shs.m	Group 2000 Shs.m	Company 2001 Shs.m	Company 2000 Shs.m
CAPITAL EMPLOYED					
Capital and reserves					
Share capital	8	178.3	178.3	178.3	178.3
Revaluation reserve	9	77.8	188.4	88.3	91.9
Retained earnings		1,768.5	1,481.1	1,670.8	1,476.7
Proposed dividends		57.0	42.8	57.0	42.8
Shareholders' funds		2,081.6	1,890.6	1,994.4	1,789.7
Minority interest	23	23.8	17.3	-	-
		2,105.4	1,907.9	1,994.4	1,789.7
Non-current liabilities					
Borrowings	10	3.8	200.0	-	200.0
Deferred tax	11	114.4	123.6	112.2	123.6
		118.2	323.6	112.2	323.6
		2,223.6	2,231.5	2,106.6	2,113.3
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	12	1,366.3	1,400.8	1,234.0	1,299.5
Intangible assets	13	84.5	108.9	-	-
Investment in associate	14	253.6	245.7	94.6	94.6
Investment in subsidiaries at cost		-	-	170.0	170.0
		1,704.4	1,755.4	1,498.6	1,564.1
Current assets					
Inventories	15	275.5	177.9	239.9	155.2
Receivables and prepayments	16	607.1	622.8	582.2	591.5
Current tax		19.5	-	12.5	-
Cash and cash equivalents	17	315.6	362.9	304.9	346.3
		1,217.7	1,163.6	1,139.5	1,093.0
Current liabilities					
Payables and accrued expenses	18	691.2	484.0	528.1	345.6
Current tax		-	15.7	-	20.7
Borrowings	10	7.3	187.8	3.4	177.5
		698.5	687.5	531.5	543.8
Net current assets		519.2	476.1	608.0	549.2
		2,223.6	2,231.5	2,106.6	2,113.3

The financial statements on pages 20 to 37 were approved for issue by the board of directors on 21 March 2002 and signed on its behalf by

Mr. Hannington Awori
Director

R C Henry
Director

Group Statement Of Changes In Equity

for the year ended 31 December, 2001

	Note	Share Capital Shs.m	Revaluation reserve Shs.m	Retained earnings Shs.m	Proposed dividends Shs.m	Total Shs.m
Year ended 31 December 2000						
At start of year		178.3	285.8	1,300.2	42.8	1,807.1
Revaluation surplus	9		4.4	-	-	4.4
Deficit on revaluation	14	-	(60.3)	-	-	(60.3)
Transfer of excess depreciation	9	-	(11.3)	11.3	-	-
Deferred tax on transfer	9	-	1.0	(1.0)	-	-
Transfer on disposals	9	-	(29.9)	29.9	-	-
Currency translation differences		-	(1.3)	-	-	(1.3)
Net gains/(losses)not recognised in the profit and loss account		-	(97.4)	40.2	-	(57.2)
Profit after tax		-	-	203.1	-	203.1
Dividends						
final for 1999 (paid)		-	-	-	(42.8)	(42.8)
interim for 2000 (paid)	19	-	-	(19.6)	-	(19.6)
final for 2000 (proposed)	19	-	-	(42.8)	42.8	-
At end of year		178.3	188.4	1,481.1	42.8	1,890.6
Year ended 31 December 2001						
At start of year						
as previously reported		178.3	188.4	1,481.1	42.8	1,890.6
adoption of IAS 40	14	-	(110.1)	110.1	-	-
as restated		178.3	78.3	1,591.2	42.8	1,890.6
Revaluation surplus	9	-	9.0	-	-	9.0
Deferred tax on revaluation	9	-	(5.2)	-	-	(5.2)
Transfer on disposals	9	-	(4.3)	4.3	-	-
Net gains/(losses) not recognised in the profit and loss account		-	(0.5)	4.3	-	3.8
Profit after tax		-	-	256.7	-	256.7
Dividends						
final for 2000 (paid)	19	-	-	-	(42.8)	(42.8)
interim for 2001 (paid)	19	-	-	(26.7)	-	(26.7)
final for 2001 (proposed)	19	-	-	(57.0)	57.0	-
At end of year		178.3	77.8	1,768.5	57.0	2,081.6

Company Statement of Changes in Equity

for the year ended 31 December, 2001

	Note	Share Capital Shs.m	Revaluation reserve Shs.m	Retained earnings Shs.m	Proposed dividends Shs.m	Total Shs.m
Year ended 31 December 2000						
At start of year		178.3	127.7	1,286.6	42.8	1,635.4
Revaluation surplus	9	-	4.4	-	-	4.4
Transfer of excess depreciation	9	-	(11.3)	11.3	-	-
Deferred tax on transfer	9	-	1.0	(1.0)	-	-
Transfer on disposals	9	-	(29.9)	29.9	-	-
Net gains/(losses) not recognised in the profit and loss account		-	(35.8)	40.2	-	4.4
Profit after tax		-	-	212.3	-	212.3
Dividends						
final for 1999 (paid)		-	-	-	(42.8)	(42.8)
interim for 2000 (paid)	19	-	-	(19.6)	-	(19.6)
final for 2000 (proposed)	19	-	-	(42.8)	42.8	-
At end of year		178.3	91.9	1,476.7	42.8	1,789.7
Year ended 31 December 2001						
At start of year		178.3	91.9	1,476.7	42.8	1,789.7
Transfer on disposals		-	(3.6)	3.6	-	-
Net gains/(losses) not recognised in the profit and loss account		-	(3.6)	3.6	-	-
Profit after tax		-	-	274.2	-	274.2
Dividends						
final for 2000 (paid)	19	-	-	-	(42.8)	(42.8)
interim for 2001 (paid)	19	-	-	(26.7)	-	(26.7)
final for 2001 (proposed)	19	-	-	(57.0)	57.0	-
At end of year		178.3	88.3	1,670.8	57.0	1,994.4

Group Cash Flow Statement

for the year ended 31 December, 2001

	Note	2001 Shs.m	2000 Shs.m
Operating activities			
Cash generated from operations	21	779.8	602.1
Interest received	5	14.0	8.2
Interest paid	5	(29.0)	(54.9)
Tax paid		(172.0)	(68.3)
Net cash from operating activities		592.8	487.1
Investing activities			
Purchase of property, plant and equipment	12	(256.0)	(193.2)
Proceeds from the sale of property, plant and equipment		58.1	41.0
Acquisition		-	(99.0)
Dividends received	14	4.0	4.0
Net cash used in investing activities		(193.9)	(247.2)
Financing activities			
Issue of shares to minority interest		-	23.0
Short term loans		-	387.7
Repayment of borrowings		(376.7)	(449.7)
Dividends paid		(69.5)	(62.4)
Net cash from financing activities		(446.2)	(101.4)
Increase/(decrease) in cash and cash equivalents		(47.3)	138.5
Movement in cash and cash equivalents			
At start of year		362.9	224.4
Increase/(decrease)		(47.3)	138.5
At end of year	17	315.6	362.9

Notes to the Accounts

for the year ended 31 December, 2001

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are presented in Kenya Shillings and are prepared under the historical cost convention as modified by the revaluation of certain of the group's property.

(b) Consolidation

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated from the date of disposal. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the group. Separate disclosure is made of minority interests.

(c) Property, plant and equipment

All property is initially recorded at cost. Land and buildings are subsequently shown at market value based on periodic valuations by external independent valuers, less subsequent depreciation. All plant and equipment and motor vehicles are stated at historical cost less depreciation.

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 the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using 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:

Freehold land	2.5%	
Leasehold land and buildings	2.5% (or over the period of lease)	
Plant and equipment		
plant and machinery	6.7%	- 50%
motor vehicles	2.5%	- 50%
furniture, office equipment and computers	12.5%	- 20%

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 reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of VAT and discounts. Interest income is recognised as it accrues unless collectability is in doubt.

e) Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the group has between 20% and 50% of the voting rights, and over which the group exercises significant influence, but which it does not control. Provisions are recorded for long-term impairment in value.

Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the year. The group's interests in associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill on acquisition.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition and is shown on the balance sheet as an intangible asset.

Goodwill is generally amortised using the straight line method over a period not exceeding 10 years. The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

(g) Other intangible assets

Expenditure on acquired patents, trademarks and licences (including broadcasting licences) is capitalised and amortised using the straight line method over their useful lives, generally over 10 years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method and includes transport and handling costs. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation. Goods in transit are stated at cost. Provision is made for obsolete, slow moving and defective inventories.

(i) Receivables

Receivables are carried at the amortised invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

(j) Operating leases

Leases of assets under which significant risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(k) Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred 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.

(l) Employee entitlements

Employee entitlement to long service pay and accrued leave is recognised when it accrues to employees. A provision is made for the estimated liability for long service pay as a result of services rendered by employees up to the balance sheet date.

(m) Retirement benefits obligation

The group operates a defined contribution retirement benefit scheme. The assets of the scheme are held in trustee administered funds. The group's contribution to the scheme is charged to the profit and loss account in the year to which it relates.

(n) Restructuring provisions

Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the on-going restructuring activities of the group are not provided in advance.

(o) Investment property

CMA-LIBRARY

Investment property is held for long term rental yields and capital gains and is not occupied by the group. Investment property is treated as a long term investment and is carried at fair value, representing open market value determined annually by external valuers. Under IAS 40, Investment Property, which the group adopted at 1 January 2001, changes in fair value are recorded in the income statement and are included in other operating income. Previously the group had recorded such changes in fair value, net of deferred tax, in the revaluation reserves in shareholders' equity. The fair value reserves on investment property, including the amounts included in revaluation reserves in prior years, at the date of adopting IAS 40 have been transferred to retained earnings; the comparative amounts for the year ended 31 December 2000 have not been restated.

(p) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion of and translation are dealt with in the profit and loss account in the year to which they relate.

Income statements of foreign entities are translated into Kenya shillings at prevailing exchange rates for the year and the balance sheets are translated at the year end exchange rates. Exchange differences arising from the re-translation of the net investment in the foreign subsidiaries are taken to capital reserves in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on sale.

(q) 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.

(r) Comparatives

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

2 Segmental reporting

The group operates in the one geographical segment of East Africa. The analysis of the results and net assets of the group into primary reporting segments is as follows

	Newspapers		Broadcasting		Group	
	2001 Shs.m	2000 Shs.m	2001 Shs.m	2000 Shs.m	2001 Shs.m	2000 Shs.m
Sales	3,400.0	2,935.9	138.8	86.7	3,538.8	3,022.6
Allocated costs	(2,735.9)	(2,310.9)	(196.5)	(206.1)	(2,932.4)	(2,517.0)
Segment results	664.1	625.0	(57.7)	(119.4)	606.4	505.6
Unallocated costs					(224.9)	(179.9)
Operating profit					381.5	325.7
Finance costs					(7.8)	(43.6)
Share of results of associate					16.5	14.0
Profit before tax					390.2	296.1
Tax					(127.0)	(96.0)
Minority interest					(6.5)	3.0
Profit after tax					256.7	203.1
Segment assets	2,350.0	2,334.4	318.5	338.9	2,668.5	2,673.3
Share of associate					253.6	245.7
					2,922.1	2,919.0
Segment liabilities	792.4	999.3	24.3	11.8	816.7	1,011.1
Capital expenditure	228.9	112.7	27.1	80.5	256.0	193.2
Depreciation	201.7	181.6	44.2	39.7	245.9	221.3
Amortisation	10.3	7.7	14.1	4.7	24.4	12.4
Other non-cash expenses	116.1	69.8	7.4	4.3	123.5	74.1

3 Operating profit

	2001 Shs.m	2000 Shs.m
The following items have been charged in arriving at operating profit		
Depreciation (note 12)	245.9	221.3
Amortisation of intangible assets (note 13)	24.4	12.4
Profit on disposal of property, plant and equipment	4.4	29.0
Deficit on revaluation	-	2.9
Operating lease rentals	70.3	55.8
Staff costs (note 4)	716.6	659.5
Auditors' remuneration	3.7	4.1

4 Staff costs

	2001 Shs.m	2000 Shs.m
Salaries and wages	637.3	594.0
Restructuring costs	37.2	37.7
Social security costs	6.9	1.5
Pension costs - defined contribution plans	35.2	26.3
	716.6	659.5

During the year, the company paid a total of Shs.37.2m (2000: Shs.37.7m) in retrenchment costs due to the on-going reorganisation of the group's operations.

The number of persons employed by the group at the year end was

	Number	Number
Full time	789	729
Part time	270	293
	1,059	1,022

5 Finance costs

	Shs.m	Shs.m
Interest income	14.0	8.2
Net foreign exchange gains	7.2	3.1
Interest payable	(29.0)	(54.9)
	(7.8)	(43.6)

6 Tax

Current tax	136.8	118.6
Deferred tax (note 11)	(14.4)	(28.0)
Share of associate tax (note 14)	4.6	5.4
	127.0	96.0

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

Profit before tax	390.2	296.1
Tax calculated at a tax rate of 30 % (2000: 30%)	117.1	88.8
Tax effect of:		
income not subject to tax	(1.2)	(0.5)
expenses not deductible for tax purposes	11.1	7.7
	127.0	96.0

7 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2001 Shs.m	2000 Shs.m
Net profit attributable to shareholders (Shs.million)	256.7	203.1
Weighted average number of ordinary shares in issue (million)	35.7	35.7
Basic earnings per share (Shs)	7.20	5.70

There were no potentially dilutive ordinary shares at either year end.

8 Ordinary share capital

	Number of shares m	Shs.m
Authorised	60.0	300.0
Issued and fully paid		
At 1 January and 31 December 2001	35.7	178.3

9 Revaluation reserve

	Land and buildings Shs.m	Plant and machinery Shs.m	Associate company Shs.m	Currency translation Shs.m	Total Shs.m
Year ended 31 December 2000					
At start of year	108.1	7.3	170.4	-	285.8
Revaluation surplus	4.4	-	-	-	4.4
Deficit on revaluation (note 14)	-	-	(60.3)	-	(60.3)
Transfer of excess depreciation	(4.0)	(7.3)	-	-	(11.3)
Deferred tax on transfer	1.0	-	-	-	1.0
Transfer on disposals	(29.9)	-	-	-	(29.9)
Currency translation differences	-	-	-	(1.3)	(1.3)
At end of year	79.6	-	110.1	(1.3)	188.4
Year ended 31 December 2001					
At start of year	79.6	-	110.1	(1.3)	188.4
Revaluation surplus	9.0	-	-	-	9.0
Deferred tax on revaluation	(5.2)	-	-	-	(5.2)
Transfer on disposals	(4.3)	-	-	-	(4.3)
Adoption of IAS 40 (note 14)	-	-	(110.1)	-	(110.1)
At end of year	79.1	-	-	(1.3)	77.8

The company's revaluation reserve relates to surpluses, net of deferred tax, arising from the revaluation of land and buildings, as shown in the statement of changes in equity.

10 Borrowings

	Group 2001 Shs.m	Group 2000 Shs.m	Company 2001 Shs.m	Company 2000 Shs.m
Non-current				
Bank loans	3.8	200.0	-	200.0
Current				
Bank loans	3.9	160.3	-	150.0
Commercial paper	3.4	27.5	3.4	27.5
	7.3	187.8	3.4	177.5
	11.1	387.8	3.4	377.5

The weighted average effective interest rates at the year end were as follows

	2001	2000
Commercial paper	13.0%	14.2%
Bank loans	13.7%	12.0%

11 Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using a principal tax rate of 30% (2000: 30%). The movement on the deferred tax account is as follows

	Group 2001	Group 2000	Company 2001	Company 2000
At start of year	123.6	151.6	123.6	151.6
Profit and loss credit (note 6)	(14.4)	(28.0	(11.4)	(28.0)
Property revaluations	5.2	-	-	-
At end of year	114.4	123.6	112.2	123.6

Deferred tax assets and liabilities are attributable to the following items

Group	1.1.01 Shs.m	Charged/(credited) P & L Shs.m	Charged/(credited) Equity Shs.m	31.12.01 Shs.m
Deferred tax liabilities				
Property, plant and equipment				
historical cost	109.9	(5.7)	-	104.2
revaluation surplus	14.0	-	5.2	19.2
	123.9	(5.7)	5.2	123.4
Deferred tax asset				
Provisions	(0.3)	(8.7)	-	(9.0)
Net deferred tax liability	123.6	(14.4)	5.2	114.4
Company				
Deferred tax liabilities				
Property, plant and equipment				
historical cost	109.9	(10.5)	-	99.4
revaluation surplus	14.0	-	-	14.0
	123.9	(10.5)	-	113.4
Deferred tax asset				
Provisions	(0.3)	(0.9)	-	(1.2)
Net deferred tax liability	123.6	(11.4)	-	112.2

12 Property, plant and equipment

	Land and building Freehold Shs.m	Land and building Leasehold Shs.m	Plant and equipment Shs.m	Total Shs.m
Group				
Cost or valuation				
At 1 January 2001	39.4	318.1	1,776.8	2,134.3
Additions	0.4	7.2	248.4	256.0
Revaluation	0.7	5.9	-	6.6
Disposals	(29.0)	(8.0)	(63.0)	(100.0)
At 31 December 2001	11.5	323.2	1,962.2	2,296.9
Depreciation				
At 1 January 2001	1.7	37.5	694.3	733.5
Charge for the year	0.4	8.6	236.9	245.9
Revaluation	-	(2.4)	-	(2.4)
Disposals	(1.6)	(4.0)	(40.8)	(46.4)
At 31 December 2001	0.5	39.7	890.4	930.6
Net book amount				
At 31 December 2001	11.0	283.5	1,071.8	1,366.3
At 31 December 2000	37.7	280.6	1,082.5	1,400.8
Company				
Cost or valuation				
At 1 January 2001	34.2	288.8	1,673.4	1,996.4
Additions	0.4	2.7	210.0	213.1
Disposals	(29.0)	(8.0)	(56.9)	(93.9)
At 31 December 2001	5.6	283.5	1,826.5	2,115.6
Depreciation				
At 1 January 2001	1.8	35.9	659.2	696.9
Charge for the year	0.4	7.9	222.4	230.7
Disposals	(1.6)	(4.0)	(40.4)	(46.0)
At 31 December 2001	0.6	39.8	841.2	881.6
Net book amount				
At 31 December 2001	5.0	243.7	985.3	1,234.0
At 31 December 2000	32.4	252.9	1,014.2	1,299.5

Land and buildings were revalued at 31 December 2000 by independent professional valuers. The basis for the valuation of land and buildings 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 (note 9).

12. Property, plant and equipment (continued)

If all items of property, plant and equipment of the group and company were stated on the historical cost basis, the amounts would be as follows

	Group		Company	
	2001	**2000**	**2001**	**2000**
	Shs.m	**Shs.m**	**Shs.m**	**Shs.m**
Cost	2,166.9	2,015.8	2,032.1	1,912.4
Accumulated depreciation	(918.8)	(720.2)	(870.5)	(685.1)
Net book amount	1,248.1	1,295.6	1,161.6	1,227.3

13 Intangible assets

	Goodwill	Broadcasting frequencies	Total
	Shs.m	**Shs.m**	**Shs.m**
Cost			
At start and end of year	102.6	23.5	126.1
Amortisation			
At start of year	7.8	9.4	17.2
Charge for the year	10.3	14.1	24.4
At end of year	18.1	23.5	41.6
Net book amount			
31 December 2001	84.5	-	84.5
31 December 2000	94.8	14.1	108.9

14 Investment in associate

	2001 Shs.m	2000 Shs.m
At start of year	245.7	301.4
Share of results before tax	16.5	14.0
Share of tax (note 6)	(4.6)	(5.4)
	11.9	8.6
Dividend received	(4.0)	(4.0)
Share of revaluation deficit	-	(60.3)
At end of year	253.6	245.7

The company's investment in the associate is shown at cost. There has been no change in the company's 20% shareholding in the associate company, Industrial Promotion Building Limited.

The associate company adopted IAS 40, Investment Property, as at 1 January 2001. Under IAS 40 changes in fair values of investment property, as determined at each year end, are recorded in the profit and loss account. Previously, such fair value changes, net of deferred tax, were recorded in the revaluation reserve in shareholders' equity. The amount included in that reserve at the date of adopting IAS 40 has been transferred to retained earnings. The comparative amounts for the year ended 31 December 2000 have not been restated.

15 Inventories

	Group		Company	
	2001 Shs.m	2000 Shs.m	2001 Shs.m	2000 Shs.m
Raw materials at cost	208.5	135.0	196.5	126.9
Engineering spares at cost	36.2	23.2	33.3	22.5
Other stock at cost	30.8	19.7	10.1	5.8
	275.5	177.9	239.9	155.2

16 Receivables and prepayments

Trade receivables	313.3	316.5	258.5	272.7
Other receivables	284.6	286.9	315.9	297.5
Prepayments	9.2	19.4	7.8	21.3
	607.1	622.8	582.2	591.5

Notes to the Accounts

Continued

17 Cash and cash equivalents

	Group		Company	
	2001 Shs.m	2000 Shs.m	2001 Shs.m	2000 Shs.m
Cash at bank and in hand	94.5	24.0	83.8	7.4
Short term bank deposits	221.1	338.9	221.1	338.9
	315.6	362.9	304.9	346.3

The weighted average effective interest rate on short-term bank deposits was 9.5% (2000: 13.1%.)

18 Payables and accrued expenses

Trade payables	293.3	209.0	218.2	140.9
Accrued expenses	279.3	228.6	260.7	171.1
Other payables	118.6	46.4	49.2	33.6
	691.2	484.0	528.1	345.6

19 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. At the annual general meeting to be held on 30 May 2002, a final dividend in respect of the year ended 31 December 2001 of Shs.1.60 per share amounting to a total of Shs.57.0 million is to be proposed. During the year, an interim dividend of Shs. 0.75 per share, amounting to a total of Shs. 26.7 million was paid. The total dividend for the year is therefore, Shs.2.35 per share (2000: Shs.1.75), amounting to a total of Shs.83.7 million (2000: Shs.62.4 million). Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-residents.

20 Commitments

	2001 Shs.m	2000 Shs.m
Capital expenditure		
Commitments for capital expenditure at the balance sheet date are as follows		
Contracted for but not provided for	15.4	11.9
Operating leases		
The future minimum lease payments under non-cancellable operating leases are as follows		
Not later than 1 year	67.0	61.5
Later than 1 year and not later than 5 years	318.5	246.2
	385.5	307.7

21 Cash generated from operations

	2001 Shs.m	2000 Shs.m
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	390.2	296.1
Adjustments for		
depreciation (note 12)	245.9	221.3
profit on sale of property, plant and equipment	(4.5)	(2.0)
interest income (note 5)	(14.0)	(8.2)
interest expense (note 5)	29.0	54.9
amortisation of intangible assets (note 13)	24.4	12.4
share of result before tax of associate (note 14)	(16.5)	(14.0)
Changes in working capital		
inventories (note 15)	(97.6)	34.0
receivables and prepayments (note 16)	15.7	(29.8)
payables and accrued expenses (note 18)	207.2	37.4
Cash generated from operations	779.8	602.1

22 Related party transactions

There are a number of companies which are related to Nation Media Group Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties

i) Purchase of services

Other related parties	87.0	61.2

Purchases from related parties were made on terms and conditions similar to those offered to major suppliers.

ii) Loans to directors

At start of year	15.5	10.7
Loans advanced during the year	-	6.5
Loans repaid during the year	(2.0)	(1.7)
At end of year	13.5	15.5

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

iii) Directors' remuneration

Fees	5.6	5.0
As management	48.4	37.1
	54.0	42.1

23 Minority interest

	2001 Shs.m	2000 Shs.m
At start of year	17.3	2.9
Acquisition	-	(3.3)
Issue of shares to minority interest	-	23.0
Share of result after tax for the year	6.5	(3.0)
Translation differences	-	(2.3)
	23.8	17.3

24 Subsidiary companies

	Country of incorporation	Holding %	Business
Active subsidiary companies			
Nation Marketing & Publishing Limited	Kenya	100	Publishing
Monitor Publications Limited	Uganda	60	Printing and Publishing
Associate company			
Industrial Promotion Building Limited	Kenya	20	Property Investment

In addition, the group also has a number of non-trading subsidiary companies.

Five year Financial Summary

for the year ended 31 December, 2001

	2001 Shs.m	2000 Shs.m	1999 Shs.m	1998 Shs.m	1997 Shs.m
Results					
Turnover	3,538.8	3,022.6	2,450.5	2,409.6	2,182.0
Profit before tax	390.2	296.1	340.0	488.6	417.7
Profit attributable to shareholders	256.7	203.1	247.6	315.9	284.3
Net assets					
Fixed assets	1,704.4	1,755.4	1,722.7	1,389.5	1,231.7
Net current assets	519.2	476.1	238.9	382.2	349.9
Non-current liabilities	(118.2)	(323.6)	(151.6)	(277.7)	(311.0)
Minority interests	(23.8)	(17.3)	(2.9)	(3.1)	(0.7)
Shareholders funds	2,081.6	1,890.6	1,807.1	1,490.9	1,269.9
Profit before tax					
As a percentage of turnover(%)	11.00	9.80	13.87	20.28	19.14
Earnings per share (Shs)*	7.20	5.70	6.94	8.86	7.99
Dividends per share (Shs)*	2.35	1.75	1.75	1.65	1.38
Dividend cover (times)	3.07	3.25	3.97	5.37	5.80

*Adjusted for bonus issues

Taarifa Fupi ya Kifedha ya Miaka Mitano

ilioisha Desemba 31, 2001

	2001 Shs.m	2000 Shs.m	1999 Shs.m	1998 Shs.m	1997 Shs.m
Matokeo					
Jumla ya mapato	3,538.8	3,022.6	2,450.5	2,409.6	2,182.0
Faida kabla ya kodi	390.2	296.1	340.0	488.6	417.7
Faida kwa wenyehisa	256.7	203.1	247.6	315.9	284.3
Mali halisi					
Mali thabiti	1,704.4	1,755.4	1,722.7	1,389.5	1,231.7
Mali halisi za sasa	519.2	476.1	238.9	382.2	349.9
Madeni ya muda mrefu	(118.2)	(323.6)	(151.6)	(277.7)	(311.0)
Wenyehisa wachache	(23.8)	(17.3)	(2.9)	(3.1)	(0.7)
Malipo ya wenyehisa	2,081.6	1,890.6	1,807.1	1,490.9	1,269.9
Faida kabla ya kodi					
Kama asilimia ya mapato	11.00	9.80	13.96	20.28	19.14
Mapato kwa kila hisa (Shilingi)*	7.20	5.70	7.01	8.86	7.99
Migawo kwa kila hisa (Shilingi)*	2.35	1.75	1.75	1.65	1.38
Malipo ya hisa (mara)	3.07	3.25	4.00	5.37	5.80

*Badiliko kuhusu hisa za bonasi

Proxy Form

I/We ____

______________________________________ being a member/members of Nation Media

Group Limited, hereby appoint ____

of ____

and failing him ____ 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 30 May 2002 and at any adjournment thereof.

As witness my hand this ____

Signature ______________________________________

Important notes:

1. *If you are unable to attend this meeting personally this form of proxy should be completed and returned to the Secretary, Nation Media Group Limited, P.O. Box 49010 00100 GPO 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/wanachama wa

Nation Media Group Limited, nateua/tunateua ______________________________

wa ____

na akikosa yeye ____

na akikosa yeye, mwenyekiti wa mkutano kama mwakilishi/wawakilishi wangu/wetu kunipigia kura/kutupigia kura na kwa niaba yangu/yetu kwenye mkutano wa kila mwaka wa kampuni utakaofanywa mnamo Mei 30, 2002, saa tisa alasiri na wakati wa ahirisho lo lote litakalotokea baadaye.

Kama shahidi siku hii ____

Sahihi ____

Maelezo Muhimu:

1. *Iwapo hutaweza kuhudhuria mkutano huu wewe mwenyewe binafsi, fomu hii ya kura ya uwakilishi (proxy) lazima ijazwe kwa ukamilifu na kurudishwa kwa Katibu, Nation Media Group Limited, S.L.P. 49010, 00100 GPO Nairobi, imfikie kabla ya masaa 48 kabla ya muda wa kufanya mkutano kuwadia.*

2. *Mtu anayeteuliwa kuwa mwakilishi si lazima awe mwanachama wa kampuni.*

3. *Ikiwa mteuaji ni shirika, fomu hii ya uwakilishi lazima ifungwe kwa lakiri (seal) au ipitie mikononi mwa afisa au wakili mwenye kibali cha maandishi.*