Report and accounts 2002

Reporti na hesabu 2002

Nation Media Group Limited

Contents / Yaliyomo

The strength of our titles is built on long-term value enhancement.

"After a slow start Nation TV has in recent years become one of the most watched in Kenya"

1. Nation media group -- periodicals
2. Media group -- Kenya -- periodicals

Notice Of Annual General Meeting

Notice is hereby given that the Fourtieth Annual General Meeting of the Shareholders of Nation Media Group Limited will be held at the Nation Printing Plant, Mombasa Road, Nairobi on Thursday 29 May 2003 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1 To receive the accounts for the year ended 31 December 2002 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 35% on the ordinary share capital in respect of the year ended 31 December 2002.

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. D. Aluanga retires and being eligible, offers himself for election.

In accordance with Article 110 of the Company's Articles of Association Mr. A. Poonawala, Mr. G. M Wilkinson and Mr. F. Okello retire by rotation and, being eligible offer themselves for re-election.

By order of the Board
J C Kinyua
Secretary

20 March 2003

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 office not less than 48 hours before the appointed time of the meeting.

Tangazo La Mkutano Mkuu Wa Mwaka

Tangazo linatolewa hapa kwamba Mkutano Mkuu wa Mwaka wa arobaini wa Wenyehisa wa Kampuni ya Nation Media Group utafanyika katika Nation Printing Plant, Mombasa Road, Nairobi mnamo Alhamisi,tarehe 29 Mei mwaka 2003, saa tisa alasiri kwa madhumuni yafuatayo:

SHUGULI ZA KAWAIDA

1. Kupokea hesabu za mapato na matumizi za kipindi kilichomalizika tarehe 31 Desemba mwaka 2002 pamoja na taarifa za Mwenyekiti, Wakurugenzi na Wakaguzi wa fedha.

2. Kuthibitisha malipo ya mgawo wa muda wa faida wa asilimia 15 na kuidhinisha malipo ya mgawo wa mwisho wa asilimia 35 kwa mtaji wa hisa za kawaida kuhusiana na mwaka uliomalizika tarehe 31 Desemba mwaka 2002.
3. Kuwaruhusu Wakurugenzi waamue malipo ya wakaguzi wa fedha, PricewaterhouseCoopers.

4. Kuchagua na kuwachagua tena Wakurugezi wafuatao:

   Kwa mujibu wa Kanuni 96 ya Kanuni za Biashara za Kampuni, Bw D Aluanga astaafu na kwa vile anaweza kugombea uchaguzi, anajitolea kuwania ukurugenzi.

   Kwa mujibu wa Kanuni 110 ya Kanuni za Biashara za Kampuni,Bw A Poonawala, Bw G M Wilkinson na Bw F Okello wanastaafu kwa zamu na, kwa vile wanaweza kugombea tena uchaguzi, wanajitolea kuwania ukurugenzi.

Kwa Amri ya Halmashauri.
J C Kinyua.
KATIBU

Machi 20 mwaka 2003

Lani: Mwanachama anayeruhusiwa kuhudhuria mkutano na kupiga kura anaweza kumteua mwakilishi kuhudhuria mkutano na kupiga kura kwa niaba yake. Si sharti mwakilishi huyo awe mwanachama wa kampuni. Ili zitumike kihalali, Fomu za Uwakilishi zinastahili kuwasilishwa kwa afisi iliyosajiliwa saa 48 kabla ya saa iliyotangazwa ya kuanza mkutano

- *Group turnover increases by Shs. 564.6 million (16%) to Shs. 4.1 billion*
- *Nation Newspapers revenue increases by 14%*
- *Nation Carriers launches Nation Carriers Uganda Limited*
- *Nation Marketing and Publishing launches Nation Business Directory*
- *Operating profit at Shs. 576.3 million increases by 51%*
- *Nation Broadcasting turnover increases by 31%*
- *Profit attributable to shareholders increases by 57% to Shs.403.8 million*
- *Proposed total dividend for the year increases by 60%*
- *Group enters Tanzania through shareholding in Mwananchi Communications Limited and Radio Uhuru Limited*

- *Mapato ya Kampuni yaliongezeka kwa Sh. 564.6 milioni (asilimia 16) hadi Sh. 4.1 bilioni*
- *Mapato ya Nation Newspapers yaliongezeka kwa asilimia 14*
- *Nation Carriers ilianzisha Kampuni nchini Uganda ya Nation Carriers Uganda Limited*
- *Nation Marketing and Publishing ilianzisha orodha ya simu na anwani ya Nation Business Directory*
- *Faida ya kibiashara ya Sh. 576.3 milioni iliongezeka kwa asilimia 51*
- *Mapato ya Nation Broadcasting yaliongezeka kwa asilimia 31*
- *Faida inayostahili wenye hisa iliongezeka kwa asilimia 57 hadi Sh. 403.8 milioni*
- *Mgawo jumla uliopendekezwa uliongezeka kwa asilimia 50 kwa mwaka uliomalizika*
- *Kampuni ilipenya nchini Tanzania kwa kununua hisa katika Kampuni za Mwananchi Communications Limited na Radio Uhuru Limited*

"We publish a range of newspapers with vital information for the sports enthusiast"

Corporate Governance

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 policy and strategy, to monitor the attainment of 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.

Also, in line with the guidelines issued by the Capital Markets Authority, the Board has the following Board Committees:-

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

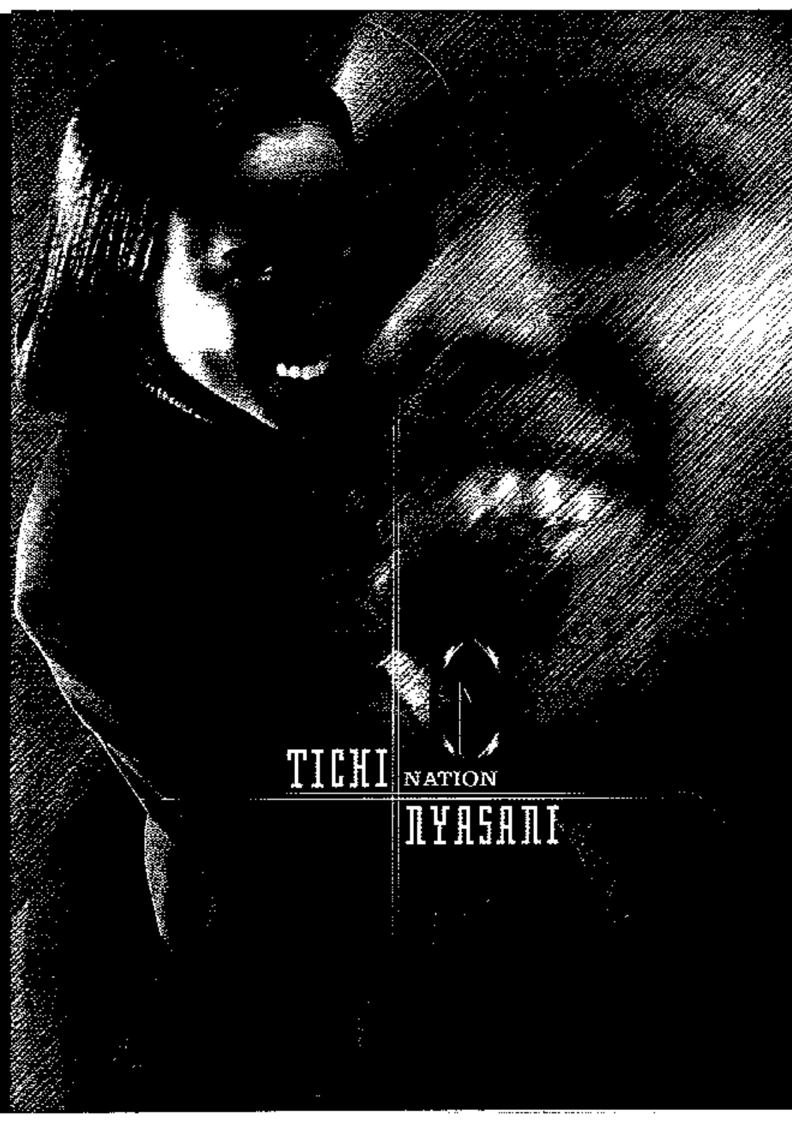
2. Finance and Audit Committee, whose main duties are to ensure that the systems of internal controls are effectively administered; to define the responsibilities of the internal auditors and to review the financial statements and interim results.

3. Strategic Planning Committee, which reviews the group's medium and long term strategic aims and direction.

4. Editorial Committee, which considers and advises on the group editorial policy, the journalistic code of ethics and legal responsibilities.

5. Remuneration Committee, which reviews executive and non-executive directors remuneration.

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.



Chairman's Statement

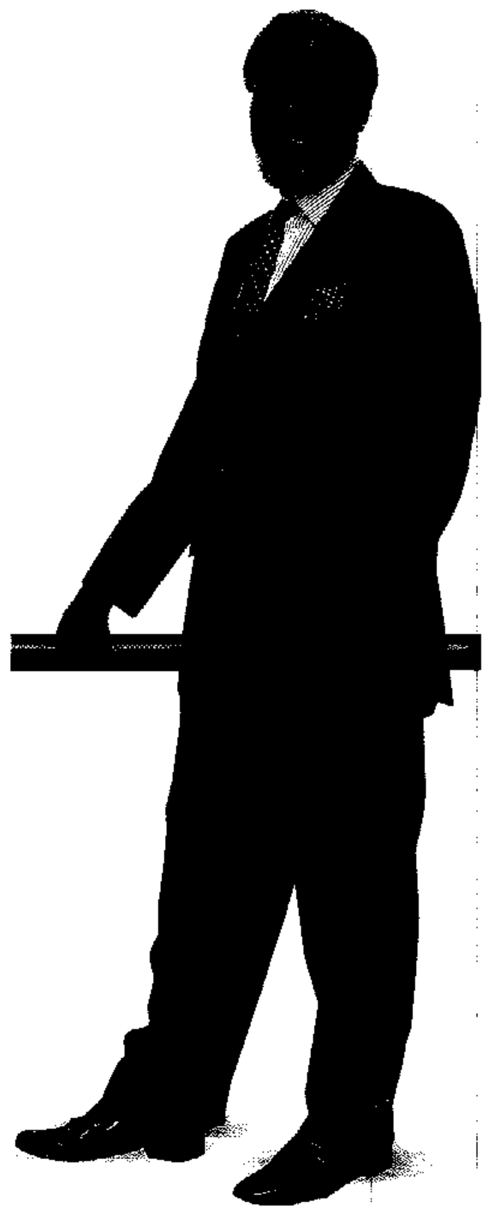
I am pleased to report another very successful year for your group, with record profits and group turnover exceeding Kshs. 4 billion for the first time in the group's history.

Buoyed by the feeling of optimism in Kenya, as the country enters a new period in its political history, the Nation Media Group, too, embarks with enthusiasm on a new stage in its own corporate development. With the allocation, after many years of frustration and uncertainty, of a range of new radio and television licences and frequencies across the country, the group is now well placed to advance its plans for national and eventually, regional radio and television broadcasting. These developments will parallel the group's recent regional expansion in the print and broadcasting media, through acquisitions in Uganda and Tanzania.

Your company has made great progress in terms of expansion, quality improvement and financial performance in recent years. As the Nation Media Group enters its fifth decade it is, therefore, poised to pursue even more actively its diversification and expansion, while seeking to further consolidate its position as the region's leading media group.

Media companies world-wide have increasingly diversified their activities beyond those sectors from which their businesses originated.The definition of the communications industry itself is being continually revised and expanded, so that the more traditional areas of activity, newspapers, magazines and books, have now been joined by radio, television and the internet. But yet other areas are being progressively encompassed, such as music, video, entertainment and also telecommunications sector.All these developments have led to mergers, consolidations and alliances both within the industry and outside the industry, on a regional basis as well as internationally.

Nation Media Group, as it extends its regional interests, is keenly aware of these developments from which it cannot afford to stand apart. Encouraged by a new and more positive environment for investment and expansion, your management will, therefore, be pursuing appropriate opportunities as it moves into a new era of corporate development.



Hannington Awori,
Chairman

ECONOMIC BACKGROUND

Economic indicators show that GDP in Kenya grew by less than 1% in 2002, which was the lowest growth rate for a number of years, whilst both Uganda and Tanzania continued to achieve economic growth of between 5% and 6%. In Kenya, the main sectors including agriculture, manufacturing, construction and tourism, all performed poorly. The Nairobi Stock Exchange index fell by 25% to an 8 year low of 1008 before recovering to 1363 by the year end. In comparison the market capitalisation of the Nation Media Group, assisted by the 1 for 2 bonus issue, increased almost threefold to Kshs.4.5 billion.

2002 RESULTS

Group profit attributable to shareholders increased by 57% to Kshs. 403.8 million in 2002. Group performance benefited, in particular, from the strong performance of the Nation Newspapers Division in an election year and a further strong improvement in the revenues of Nation Broadcasting Division. As a result of the strong cashflow, the group ended the year not only debt free, but with surplus cash funds, even after spending Kshs. 260 million on capital expenditure and acquisitions in Tanzania.

Last October the group paid an interim dividend of Kshs. 0.75 (15%) per share, compared to the equivalent of Kshs. 0.50 per share for 2001. Your Board now recommends a final dividend of Kshs. 1.75 (35%) per share, compared to the equivalent of Kshs. 1.07 per share for 2001. This represents an increase of Kshs. 50.0 million or 60%.

"Your company has made great progress in terms of expansion, quality improvement and financial performance in recent years. As the Nation Media Group enters its fifth decade it is, therefore, poised to pursue even more actively its diversification and expansion, while seeking to further consolidate its position as the region's leading media group".

STRATEGY

The group's vision is to be the leading multi-media company in East and Central Africa. During the year, the group continued to pursue this objective and expanded to Tanzania in December 2002, through the acquisition of a 60% interest in Mwananchi Communications Limited and a 49% interest in Radio Uhuru Limited.

Mwananchi Communications publishes *Mwananchi,*a daily and Sunday newspaper and *Mwanaspoti,*a twice-weekly sports paper. All titles are published in Kiswahili. Radio Uhuru broadcasts in Dar es Salaam, Mwanza and Arusha.

The past year also saw the launch in November 2002 of the Group's first weekly Kenyan regional newspaper, specifically for Coast Province, the *Coast Express*.

The group also extended the operations of Nation Carriers Division into Uganda during 2002.

Nation Media Group now has twelve newspaper titles covering East Africa and radio stations in Nairobi, Kampala and Dar es Salaam, as well as Nation TV in Nairobi.

Since the start of 2003, your company has been awarded radio and television licences and frequencies to enable it to have national coverage in Kenya; the achievement of such coverage is a key strategic aim for the current year as well as expanding Nation Carriers regional courier business.

THE BOARD

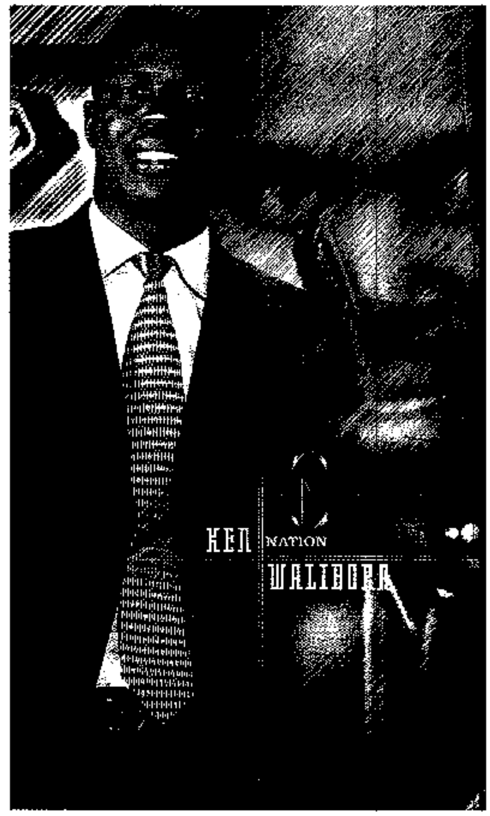
In December, Mr. Richard Henry retired from the Board after six years of valuable service as Group Finance Director. His successor, Mr. Dennis Aluanga, joined the Board in December 2002. Mr. Aluanga, who is a Kenyan certified public accountant, with an MBA degree from the University of Edinburgh, has been with the group for the past 12 years and thus brings with him considerable knowledge of our various businesses.

I would like to thank the other Board members and, in particular, to pay tribute to Mr. Wilfred Kiboro, who as your Group Chief Executive has continued to lead the company with skill, determination and great success. The stability and continuity of our management team and our Board of Directors, continue to be an important asset for our company, even as we explore new horizons and embrace new opportunities.

Mr. Hannington Awori
Chairman

"The Nation Media Group has maintained the lead in a very competitive market"

Taarifa Ya Mwenyekiti



Ni furaha yangu kutoa ripoti nyingine ya mwaka wenye mafanikio kwa kampuni hii huku kukiwa na faida kubwa na mtaji wa kampuni ukipita kwa mara ya kwanza kiwango cha shilingi bilioni 4 katika historia ya kampuni hii.

Huku kukiwa na matumaini makubwa humu nchini wakati nchi hii inapoingia katika enzi mpya yakisiasa,kampuni ya Nation Media Group imeanza pia awamu mpya katika ustawi wake. Kufuatia kupewa leseni na masafa ya kurushia matangazo baada ya miaka kadha ya usumbufu,kampuni hii sasa iko katika nafasi kubwa ya kutangaza kwa redio na runinga kote nchini na hatimaye katika Afrika Mashariki nzima. Hatua hizo zinakwenda sambamba na upanuzi wa majuzi wa uchapishaji magazeti na matangazo katika eneo hili kwa kununua kampuni nchini Tanzania na Uganda.

Kampuni yenu imepiga hatua kubwa kuhusiana na upanuzi, kuimarisha thamani na matokeo ya kifedha katika miaka michache iliyopita. Kampuni hii itaendelea kufuatia hatua zake za upanuzi na utofautishaji wa huduma na bidhaa huku ikizidi kuimarisha nafasi yake kama kampuni ya usambazaji habari inayoongoza katika eneo hili.

Kampuni za habari kote duniani zimeendelea kuanzisha biashara mabalimbali ambazo ziko nje ya sketa ambamo biashara zao zilianzia. Sekta ya mawasiliano yenyewe inaendelea kuchunguzwa upya na kupanuliwa, hivi biashara za kawaida kama vile magazeti, majarida, na vitabu zinaendeshwa bega kwa bega na redio, runinga, na mtandao wa internet. Isitoshe, biashara zingine kama vile muziki, video, burudani na sekta ya mawasiliano kwa simu zinaendelea kujumuishwa katika sekta ya mawasiliano. Mambo hayo yote yamepelekea kuwepo na ushirikiano, uimarishaji na miungano ya makampuni na ndani na nje ya sekta ya mawasiliano kimaeneo na kimataifa pia.

Kampuni ya Nation Media Group inatambua mabadiliko haya katika mandhari ya mawasiliano na kamwe haiwezi kujitenga nayo huku inapofikiria upanuzi wake katika eneo hili. Kutokana na mazingira mapya na mazuri kwa uwekezaji na upanuzi, kampuni hii itafuata fursa zifaazo huku ikiingia katika enzi mpya katika ustawi wake.

HALI YA KIUCHUMI

Vigezo vya kiuchumi vinaonyesha kuwa pato la jumla la Kenya la 2002 lilikuwa chini ya asilimia 1, huo ukiwa ukuzi wa chini zaidi katika muda wa miaka kadha, ikilinganishwa na Uganda iliyopata ukuzi wa kiuchumi wa asilimia 5% na Tanzania iliyopata ukuzi wa asilimia 6%. Nchini Kenya, sekta kuu kama vile kilimo, utengenezaji bidhaa, ujenzi na utalii zilidorora. Kipimo katika Soko la Hisa la Nairobi kilishuka kwa asilimia 25% na kuwa kiwango cha 1008 ambacho ni cha chini zaidi katika miaka 8, kabla kuimarika tena na kufika 1363 baadaye mwishoni wa mwaka. Kwa upande wake , jumla ya hisa za kampuni ya Nation Media Group , ukisaidiwa na mtaji wa toleo 1 kwa gawio 2 kwa hisa , uliongezeka karibu mara tatu na kufikia shilingi bilioni 4.5.

MATOKEO YA 2002

Faida ya kampuni kwa wenyehisa iliongezeka kwa asilimia 57% hadi shilingi milioni 403.8 mwaka 2002. Mapato ya kampuni yaliongezeka hasa kutokana na mapato bora ya kitengo cha magazeti katika mwaka huo wa uchaguzi pamoja na kuimarika kwa kitengo cha Utangazaji. Kutokana na hayo kampuni ilimaliza mwaka bila deni, na ikiwa na pesa za ziada hata baada ya kutumia shilingi milioni 300 kwa matumizi na ununuzi wa kampuni nyingine Tanzania.

Oktoba mwaka uliopita, kampuni ililipa mgao wa kwanza wa 0.75 (asilimia 15%) kwa kila hisa ikilinganishwa na shilingi 0 .50 kwa hisa mwaka 2001. Halmashauri yenu sasa inapendekeza mgawa wa mwisho wa shilingi 1.75(asilimia 35%) ikilinganisha na shilingi 1.07 kwa hisa mwaka 2001. Hili ni ongezeko la shilingi milioni 50 au asilimia 60%.

LENGO

Lengo la kampuni hii ni kuwa kampuni ya vyombo vya habari inayoongoza katika eneo la Afrika Mashariki na Kati. Wakati wa mwaka uliomalizika , kampuni iliendelea kufuatia lengo hili kwa kununua kampuni nchini Tanzania mnamo Desemba 2002 kwa kununua asilimia 60 % ya hisa za kampuni ya Mwananchi Comunications na asilimia 49% ya hisa katika Kampuni ya Radio Uhuru.

Kampuni ya Mwananchi Communications inachapisha gazeti la *Mwananchi,* linalochapishwa kila siku na gazeti la Jumapili na *Mwanaspoti,* gazeti la michezo mara mbili kwa wiki. Gazeti hizi huchapishwa kwa lugha ya Kiswahili. Radio Uhuru inatangaza katika maeneo ya Dar es Salaam, Mwanza na Arusha.

Mnamo Novemba 2002 kampuni ilizindua gazeti la kwanza la kila wiki kieneo nchini Kenya, *Coast Express* kwa ajili ya wasomaji wa Mkoa wa Pwani.

Aidha, kampuni ilipanua shughuli za kitengo cha kusafirisha vifurushi cha Nation Carriers hadi Uganda mwaka 2002.

Kwa hivi sasa Kampuni ya Nation media Group inachapisha magazeti 12 katika eneo la Afrika Mashariki na vituo vya redio katika miji ya Nairobi, Kampala na Dar es Salaam na kituo cha Nation TV jijini Nairobi.

Tangu mwanzo wa 2003, kampuni yako imepewa leseni na masafa ya kurusha matangazo ya redio na runinga kote nchini Kenya; hiyo ni hatua muhimu katika dhamira ya kampuni mwaka huu pamoja na kupanua huduma za kusafirisha vifurushi cha Nation Carrier katika eneo hili.

HALMASHAURI

Mnamo Desemba Bw. Richard Henry alistaafu toka kwa Halmashauri baada ya kutoa huduma za kufana kwa miaka sita kama Mkurugenzi wa Masuala ya Kifedha. Mahali pake palichukuliwa na Bw. Dennis Aluanga aliyejiunga na Halmashauri Desemba 2002. Bw. Aluanga, ambaye ni mhasibu wa umma aliyehitimu nchini Kenya , aliye na shahada ya MBA kutoka Chuo Kikuu cha Edinburgh, amehudumu kwenye kampuni hii kwa miaka 12 na kwa hivyo ana ujuzi mkubwa wa biashara za kampuni yetu.

Napenda kuwashukuru wanachama wa Halmashauri na wasimamizi, na hasa, kumpongeza Bw. Wilfred Kiboro ambaye akiwa Afisa Mkuu Mtendaji, kwa kuiongoza kampuni kwa ustadi, kujitolea na mafanikio makubwa. Uthabiti na uimara wa kundi la wasimamizi na Halmashauri ya wakurugenzi, ni nguzo muhimu kwa kampuni hii, hasa tunapofumbua maeneo mapya nakutekeleza nafasi zinazojitokeza.

Bw. Hannington Awori
Mwenyekiti

"Kampuni yenu imepiga hatua kubwa kuhusiana na upanuzi, kuimarisha thamani na matokeo ya kifedha katika miaka michache iliyopita. Kampuni hii itaendelea kufuatia hatua zake za upanuzi na utofautishaji wa huduma na bidhaa huku ikizidi kuimarisha nafasi yake kama kampuni ya usambazaji habari inayoongoza katika eneo hili".

"Taifa Leo huburudisha na pia huelimisha"

Group Chief Executive's Report

A number of factors worked to the group's advantage in 2002. Due to a world-wide fall in demand for newsprint, the dollar price was lower than for several years and the Kenya shilling remained stable against the dollar. In addition 2002 was an election year. These factors coupled with the group's regional diversification and acquisition strategy enabled the group to increase turnover by 16% to a record level of Kshs.4.1 billion. This was the third consecutive year in which turnover increased by more than Kshs.500 million.

The group operating profit before interest at Kshs.576.3 million (2001: Kshs.381.5 million) was also 51% ahead of last year, whilst profit before tax at Kshs.635.2 million (2001: Kshs.390.2 million) improved by 63%, in part due to the increase in income from the group's cash deposits.

Capital expenditure for the year at Kshs. 208 million was at a similar level to that of recent years, with the investment largely in information technology and vehicle replacements. In addition, Monitor Publications incurred expenditure on construction of new office premises to provide improved office and studio accommodation. The building is due for completion in 2003.

NATION NEWSPAPERS DIVISION

Although cover prices remained unchanged during the year, circulation revenue for Nation Newspapers Division (NND) grew by 13% with both the *Daily Nation* and *Sunday Nation* continuing to gain market share, whilst *The EastAfrican, Taifa Leo* and *Taifa Jumapili* remained dominant in their particular sectors of the market.

Print advertising volumes nationally declined by 3%. However, NND increased its market share in both display and classified advertising by 2%. Colour advertising volumes increased by 20% and, as a result, overall advertising revenue improved by 14%.

Costs were tightly controlled, only growing by 5%, thereby enabling the division to achieve a significant improvement in its contribution to the group's performance.

On the news front, our newspapers excelled in the coverage of the events leading to the historic General Election of 2002 as well as the election itself, giving a tremendous boost to the circulation of our flagship titles, the *Daily Nation* and *Sunday Nation*. Overall, our journalists steered clear of political activism and reported the elections fairly and objectively, thus affirming and upholding the group's creed of independent journalism.

The creation of relevant local content remained a key strategic initiative and this saw the launch in November of the group's newest title, the colourful *Coast Express*, to serve the entire Coast Province. The paper was launched as a weekly, going on the newsstands on Fridays.

A further significant initiative by our editorial teams was the establishment of a Convergence and Syndication desk to foster collaborative efforts between our print and broadcast divisions, as well as open new avenues for selling some of our editorial content to the international markets. It is intended to strengthen this unit as part of our overall strategy to add value to our Internet operations, in order to make the group the one-stop information house for the region.

NATION MARKETING AND PUBLISHING LIMITED

The main publications in this unit are the weekly free sheet, *The Weekly Advertiser* and the *Nation Business Directory*.

We reported last year on the plans to relaunch the group's Business Directory as the *Nation Business Directory*. I am pleased to be able to report that the Directory was indeed successfully relaunched on time, revenue targets were exceeded and the directory has been well received in the market.

NATION BROADCASTING DIVISION

The Nation Broadcasting Division (NBD) made good progress during the year with significant performance improvements for both radio and television, not only with our news but also with

W D Kiboro,
Group Chief Executive

"The group operating profit before interest at Kshs.576.3 million (2001: Kshs.381.5 million) was also 51% ahead of last year, whilst profit before tax at Kshs.635.2 million (2001: Kshs.390.2 million) improved by 63%".

chart topping television programmes such as *Le mujer de mi vida*. Both Nation TV and Nation FM continued to be ranked in the top two positions in the market place with respect to their respective audience shares. With revenues for the division growing by an impressive 31% and with tight control over costs, the operating loss reduced further compared to 2001.

In previous years I have reported the group's frustration at not being granted licences and frequencies to broadcast outside Nairobi, when licences and frequencies were being readily granted to many of our competitors. However, in March 2003, we were finally granted the licences and frequencies that we have sought for so many years. I am therefore pleased to report that plans are now well advanced for the national roll out of both Nation Television and Nation Radio for later this year.

NATION CARRIERS DIVISION

Assisted by a 77% growth in its courier revenues, Nation Carriers Division's (NCD's) turnover for the year improved by 22% and its profit contribution increased by 34%.

The highlight of the year for NCD was the incorporation of a subsidiary company in Uganda – Nation Carriers Uganda Limited (NCU) to undertake the distribution of the group's newspapers and other publications for Monitor Publications Limited.

MONITOR PUBLICATIONS LIMITED (UGANDA)

Following its strong performance in 2001, which was an election year in Uganda, Monitor Publications Limited (MPL) had a much more difficult year in 2002. Whilst MPL achieved some growth in its circulation and advertising market shares, it nevertheless, experienced an overall drop in revenues of 8%.

MPL's Luganda newspaper *Ngoma* failed to obtain the circulation and advertising revenue levels needed to make a positive contribution to the company's performance and was discontinued in September 2002. Despite operating in an extremely competitive market, Monitor FM managed to grow its advertising income by a further 26% during the year.

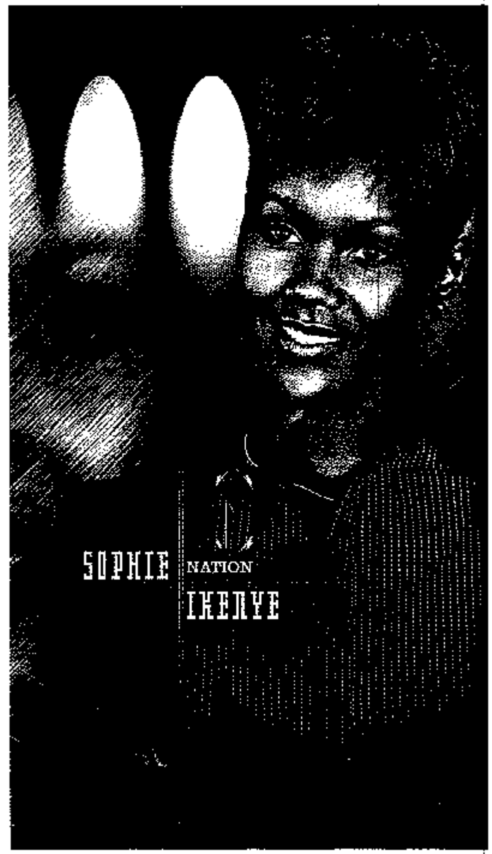
In view of MPL's disappointing performance, a detailed review is being undertaken of the organisation and structure of the business, as well as the market segments in which it operates. Following this exercise it is anticipated that the company will return to profit this year.

MWANANCHI COMMUNICATIONS LIMITED AND RADIO UHURU LIMITED

As reported in the Chairman's statement, in December 2002 NMG expanded its activities to Tanzania by investing in Mwananchi Communications Limited (MCL) and Radio Uhuru Limited (RUL). These investments are in line with the group's strategic aim of achieving a multi-media presence across the East African region. Although both are comparatively young companies, each is fairly well established in its particular market segment. NMG is in the process of purchasing a press so that MCL can print its own newspapers, an activity which is currently contracted out. There are also plans to extend RUL's radio operations beyond Dar es Salaam, Arusha and Mwanza and your Board is confident that both these businesses will fit well within NMG and make a significant contribution in the coming years.

"The hallmarks of our approach are imagination, focus and inovation".

Group Chief Executive's Report *continued*



PROPERTY DEVELOPMENT AND MANAGEMENT LIMITED

During the year, the group's associated company Industrial Promotion Building Limited changed its name to Property Development and Management Limited (PDM) in order to reflect more closely the company's activities. Despite the depressed property market, PDM has continued to achieve occupancy levels, in both its commercial and residential properties, of over 90%, although at present it is not possible to achieve the growth in rents achieved in prior years. Nevertheless, NMG's share of PDM's profits increased by 5% to Kshs.17.3 million in 2002.

FUTURE PROSPECTS

Following the December elections, 2003 has started well for both the group's newspapers and broadcasting interests in Kenya. We anticipate that the roll out of radio and television nationally will start to have a significant impact on the Broadcasting Division's profitability towards the end of this year, with the full impact being realised in 2004.

In Uganda, performance to date is ahead of last year and, as the changes referred to above start to be implemented, further improvements in profitability are anticipated.

In Tanzania, the development and expansion of MCL and RUL is a key objective for this year and beyond.

It remains the Board's view that the group's strategy of diversification and expansion on a regional basis continues to offer shareholders the opportunity for further strong growth in profitability in the future.

STAFF

I would like to thank the Board for its hard work and support during the last year and I would like to thank, in particular, our loyal customers and staff, whose magnificent contributions to the achievements of all our businesses, whether in the print media or electronic broadcasting, are borne out by the years outstanding results. I believe that together we can look forward with equal confidence to a good year ahead.

W D Kiboro

GROUP CHIEF EXECUTIVE

"The perfect mix of local and international shows have been instrumental to our growing success"

Ripoti ya Afisa Mkuu Mtendaji wa Kampuni

Maswala mambo kadha yalichangia ufanisi wa kampuni hii mwaka 2002. Kutokana na kushuka kwa mahitaji ya karatasi za kuchapishia magazeti duniani, thamani ya dola ilikuwa chini kuliko ilivyokuwa miaka kadha iliyopita na shilingi ya Kenya nayo ilidumisha udhabiti ikilinganishwa dhidi ya dola. Isitishe, mwaka 2002 ulikuwa mwaka wa uchaguzi. Maswala hayao hayo pamoja na lengo la kampuni la kupanua biashara zake na ununuzi wa kampuni nyingine katika eneo hili, yalichangia mtaji wa kampuni kuongezeka kwa asilimia 16% hadi kufikia kiwango kisichowahi kufikiwa mara nyingine cha shilingi bilioni 4.1. Kwa mwaka wa tatu mfululizo mtaji umeongezeka kwa zaidi ya shilingi milioni 500.

Faida ya kampuni kabla ya kutozwa riba ilikuwa shilingi milioni 576.3(mwaka 2001 ilikuwa shilingi milioni 381.5) ambalo ni ongezeko la asilimia51% ikilinganishwa na mwaka uliotangulia, hali faida kabla ushuru ilikuwa shilingi milioni 635.2(mwaka 2001 ilikuwa shilingi milioni 390.2) ambapo hilo ni ongezeko la asilimia 63 % hasa kutokana na kuongezeka kwa mapato katika pesa za kampuni.

Gharama ya matumizi ya shilingi milioni 213 kwa mwaka huo ilikuwa kiwango sawa na miaka ya hivi karibuni, hasa kutokana na uwekezaji katika tekinolojia na kununua magari mapya. Isitoshe, kampuni ya Monitor Publications ilitumia gharama kiasi kujenga jingo jipya kwa ajili ya afisi na studio. Jengo hilo linatarajiwa kukamilika mwaka 2003.

KITENGO CHA NATION CHA MAGAZETI

Ingawa bei ya magazeti haikubadilika mwaka 2002,mauzo ya magazeti ulipanda kwa13 % huku magazeti ya *Daily Nation, Sunday Nation* yakipanua uwanda wake wa wasomaji na EastAfrican, *Taifa Leo* na Taifa Jumapili yakiendelea kuwa imara katika mawanda yake.

Kiwango cha matangazo ya magazeti kilishuka kwa asilimia 3% kote nchini. Hata hivyo, kitengo cha magazeti cha Nation kilipata ongezeko la matangazo hayo la asilimia 2 %. Matangazo ya rangi yaliongezeka kwa asilimia 20% na kama tokeo, mapato ya jumla ya matangazo ya biashara yaliongezeka kwa asilimia 14%.

Matumizi yalidhibitiwa ipasavyo, na kuongezeka kwa asilimia 5% pekee na hivyo kukiwezesha kitengo cha magazeti kuchangia pakubwa mapato ya jumla ya kampuni.

Magazeti yote yalikuwa mstari wa mbele katika kuwasilisha matukio ya kabla uchaguzi wa kihistoria wa mwaka 2002 na pia uchaguzi wenyewe na kuongezeka mauzo ya magazeti yetu makuu yaani *Daily Nation na Sunday Nation*. Kwa jumla wanahabari wetu walijiepusha na kujihusisha na makundi ya wanaharakati wa kisiasa na walitoa habari kwa haki na ukweli, sambamba na msimamo wa kampuni hii wa kutoa habari bila kupendelea upande wowote.

Gazeti la kila wiki la *Coast Express* lilizinduliwa Novemba kwa ajili ya wasomaji wa Mkoa wa Pwani kuambatana na mkakati mpya wa kutoa habari zinazowahusu watu wa mwahali mahsusi. Gazeti hilo la kila wiki huanza kuazwa kila ijumaa.

Hatua nyingine muhimu katika mikakati ya kitengo hicho ni kuanzishwa kwa idara ya ushirikishi ili kuboresha ushirikiano na ushirikishi kati ya vitengo vya magazeti na vya utangazaji pamoja na kutafuta njia za kuuza magazeti yetu katika soko la kimataifa.

Ipo mipango ya kuimarisha huduma zetu za mtandao wa internet ili kuifanya kampuni ya Nation kituo cha habari za aina zote katika miundo na maumbo aina yote.

"Faida ya kampuni kabla ya kutozwa riba ilikuwa shilingi milioni 576.3(mwaka 2001 ilikuwa shilingi milioni 381.5) ambalo ni ongezeko la asilimia51% ikilinganishwa na mwaka uliotangulia, hali faida kabla ushuru ilikuwa shilingi milioni 635.2(mwaka 2001 ilikuwa shilingi milioni 390.2) ambapo hilo ni ongezeko la asilimia 63 %".

"Kuwa wa kwanza kujua na Nation Jioni saa moja"

KAMPUNI YA NATION MARKETING AND PUBLISHING

Machapisho makuu katika kitengo hiki ni vijarida vya bure vya kila wiki vya *The Weekly Advertiser* na orodha ya simu na anwani ya Nation Business Directory.

Mwaka uliopita tuliarifu kuhusu mpango wa kuzindua upya orodha hiyo ya simu na anwani. Ni furaha yangu kuarifu kwamba orodha hiyo ilizinduliwa kwa wakati, shabaha ya mapato ikapitwa na orodha hiyo imepokelewa vyema na soko.

KITENGO CHA NATION BROADCASTING

Kitengo cha Nation Broadcasting (NBD) kilipiga hatua za maendeleo mwaka 2002 kwa redio na runinga pia, sio tu katika habari bali pia kwa vipindi kama vile *Le Mujer de mi vida* kuwa miongoni mwa vipindi vyenye kuvutia watazamaji wengi zaidi nchini. Vituo vya Nation TV na Nation FM viliendelea kuwa miongoni mwa vituo viwili kwa watazamaji na wasikilizaji. Kutokana na ongezeko la mapato la asilimia 31% na ubanaji wa matumizi, hasara ya kitengo hicho ilishuka kwa zaidi ikilinganishwa na mwaka 2001.

Miaka iliyotangulia nilikuwa nikielezea kutamaushwa kwa kampuni hii kutokana na kunyimwa leseni na masafa ya kurusha matangazo nje ya jiji la Nairobi,ilhali washindani wetu wengi wakipewa vitu hivi. Hata hivyo,hatimaye mnamo Machi 2003, tulipewa leseni na masafa ambayo tulikuwa tumetafuta kwa miaka nenda miaka rudi. Ninafurahi kuwajulishwa kwamba mipango inaendelea kuhusiana na kuanza kurusha matangazo kote nchini kwa redio na runinga za Nation baadaye mwaka huu.

KITENGO CHA NATION CARRIERS

Mapato ya Nation Carriers(NCD) yaliongezeka kwa asilimia 77% na kuchangia ongezeko la mtaji la asimilia 22% huko mchango wake wa faida ukiongezeka kwa asimilia 34%.

Jambo la kutokeza zaidi katika mwaka 2002 kwa NCD ni kujumuishwa kwa kampuni tanzu nchini Uganda- Nation Carriers Uganda Limited,(NCU) katika usambazaji wa magazeti yetu na machapisho mengine kampuni ya Monitor Publications.

KAMPUNI YA MONITOR PUBLICATIONS (UGANDA)

Baada ya kuimarika mwaka 2002 uliokuwa mwaka wa uchaguzi nchini Uganda, kampuni ya Monitor Publications imekuwa na hali ngumu mwaka 2002. Ingawa ilipata ongezeko katika mauzo ya magazeti na mapato ya matangazo ya kibiashara mapato yake ya jumla yalishuka kwa 8%.

Gazeti lake la Kiganda *Ngoma* halikupata kiwango kizuri cha mauzo na mtangazo ya kibiashara na kwa hiyo likafungwa Septemba 2002. Licha ya mazingira ya ushindani mkali, redio ya Monitor FM ilipata ongezeko la mapato ya matangazo ya kibiashara la asilimia 26% mwaka 2002.

Kutokana na kudorora kwa utendaji wa Monitor, kuna mpango mpana wa urekebisaji unaoendelea ili kuboresha muundo na utendaji kazi wake na kutathimni hali halisi ya soko la Uganda. Kutokana na hali hiyo kuna matumaini kitengo hiki kitaanza kupata faida mwaka huu.

KAMPUNI YA MWANANCHI COMNUNICATIONS NA KAMPUNI YA RADIO UHURU

Kama iliyoripotiwa katika taarifa ya Mwenyekiti, kampuni ya Nation ilipanua shughuli zake hadi Tanzania kwa kuwekeza katika kampuni ya Mwananchi Communications Limited(MCL) na kampuni ya Radio Uhuru(RUL). Hatua hiyo inaendana na lengo la kampuni ya Nation kuwa kampuni ya vyombo kadha vya habari katika eneo zima la Afrika Mashariki. Ingawa Mwananchi na Radio Uhuru ni kampuni changa ziko imara. Kampuni ya Nation imo katika kununua matbaa ili MCL iweze kuchapisha magazeti yake yenyewe. Pia kuna mipango ya kupanua eneo la matangazo ya Radio Uhurunje ya miji ya Dar es Salaam,Arusha na Mwanza na Halmashauri ya wakurugenzi ina matumaini kwamba biashara hizi zinaendana na dhamira yake na kwamba zitachangia sana ustawi wa kampuni hii miaka ijayo.

Kampuni ya Nation imeanzisha hazina ya kuokoa na kuimarisha msitu wa Aberdare.

KAMPUNI YA PROPERTY DEVELEOPMENT AND MANAGEMENT

Katika mwaka 2002 kampuni tanzu ya Nation Industrial Promotion Building Limited, ilibadili jina na kuwa Property Development and Management Limited (PDM) ili kuakisi vilivyo utendaji kazi wake. Licha ya soko la nyumba kudorora, PDM iliendelea kupata kiwango cha asilimia 90% cha wapangaji katika nyumba zake za kibiashara na za makazi pamoja na kwamba haiwezekani sasa kupata ukuzi wa kodi uliowezekani miaka iliyopita. Hata hivyo, mapato ya PDM yaliongezeka kwa asilimia 5% hadi shilingi milioni 17.3.

MATARAJIO

Kufuatia uchaguzi mkuu, mwaka wa 2003 umeanza vymea kwa vitengo vya magazeti na utangazaji nchini Kenya. Tunatarajia kwamba kurusha matangazo ya redio na runinga kote nchini kutakuwa na mateo makubwa kwa mapato ya kitengo cha Utangazaji mwishoni mwa mwaka, huku athari kamili ikitokea mwaka 2004.

Huko Uganda mapato ya kufikia sasa yameshinda ya mwaka uliopita,na mabadiliko tuliyoyagusia awali yakishaanza kutekelezwa, kiwango cha faida inayotarajiwa kitaimarika.

Nchini Tanzania, upanuzi na ustawishaji wa kampnui ya Radio Uhuru (RUL) na kampuni ya Mwananchi Communications (MCL)ni sehemu ya malengo ya kampuni ya Nation mwaka huu na na miaka mingine ijayo.

Ni maoni ya Halmashauri kwamba mkakati wa utofautishaji na upanuzi katika msingi wa kieneo utaendelea kuwapatia wenyehisa fursa ya ukuzi thabiti katika faida wakati ujao.

WAFANYIKAZI

Napenda kushukuru Halmashauri ya wakurugenzi kwa kazi yake kubwa na msaada mwaka uliopita na hasa napenda kuwashukuru wateja wetu waaminifu na wafanyikazi, kwa mchango wao mkubwa kwa mafanikio ya biashara zetu, magazetini, kwenye redio na runinga. Mchango wao unabainishwa wazi na matokeo bora sana ya kampuni. Naamini kwamba sote twaweza kutarajia kwa hakika kuona matokeo mazuri mwisho wa mwaka huu.

W D Kiboro
AFISA MKUU MTENDAJI

"Siku haipiti bila mimi kuskiza ngoma katika Nation FM"

Board Of Directors

(Seated l-r) M J Aliker, H H O Awori, W D Kiboro, (Standing l-r) L Huebner, A Poonawala, G M Wilkinson, D Aluanga, J Lee, F O Okello, D d'Acremont, A Bekah.

BOARD OF DIRECTORS

HALMASHAURI YA WAKURUGENZI

H H O Awori *Chairman* / ***Mwenyekiti***	(Kenyan)	***(Mkenya)***
W D Kiboro *Chief Executive/ Managing* / ***Mrasimu mkuu/Msimamizi***	(Kenyan)	***(Mkenya)***
M J Aliker	(Ugandan)	***(Muganda)***
A Bekah	(Kenyan)	***(Mkenya)***
D d'Acremont	(French)	***(Mfaransa)***
D Aluanga (Appointed 10 December 2002)	(Kenyan)	***(Mkenya)***
R C Henry (Resigned 10 December 2002)	(British)	***(Mwingereza)***
L Huebner	(American)	***(Muamerikani)***
J Lee	(British)	***(Mwingereza)***
F O Okello	(Kenyan)	***(Mkenya)***
A Poonawala	(French)	***(Mfaransa)***
G M Wilkinson	(Irish)	***(Mwa-Irish)***

Secretary
Katibu
J C Kinyua CPS (K)

Registered Office
Afisi ilikoandikishwa
Nation Centre
Kimathi Street
P O Box 49010
Nairobi

Advocates
Wakili
Kaplan & Stratton
Queensway House
Kaunda Street
Nairobi

Auditors
Wakaguzi wa Hesabu
PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
Nairobi

Bankers
Benki
Standard Chartered Bank Kenya Limited
Stanbank House
Moi Avenue
Nairobi

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2002.

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 24.

DIVIDENDS

The directors recommend the payment of a final dividend of 35 % on the issued share capital at 31 December 2002, which, together with the interim dividend of 15 % paid on 31 October 2002 makes a total of 50% in respect of the year ended 31 December 2002.

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.

Risk management is carried out by the Finance department under policies approved by the Board of Directors. The Finance department identifies, evaluates and hedges 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.

The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

DIRECTORS

The present board of directors is set out on page 17. All the directors other than Mr D Aluanga, who was appointed on 10 December 2002, have been directors throughout the year. Mr R C. Henry retired as a director on 10 December 2002.

Mr. D. Aluanga, a director who retires in accordance with Article 96 and, being eligible, offers himself for election.

Mr. A Poonawala, Mr. G. M. Wilkinson and Mr. F. O. Okello 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).

By order of the Board

JC Kinyua
SECRETARY

20 March 2003

Taarifa ya Wakurugenzi

Wakurugenzi wana furaha kukutangazia taarifa yao pamoja na taarifa ya kifedha za kampuni hii zilizokaguliwa kwa kipindi kilichomalizika tarehe 31 Desemba mwaka 2002.

SHUGHULI KUU ZA KAMPUNI

Kampuni hii inajishughulisha na uchapishaji, usambazaji wa magazeti pamoja na utangazaji wa Radio na Televisheni.

MATOKEO YA KAMPUNI

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

MGAWO WA FAIDA

Wakurugenzi wanapendekeza ulipaji wa mgawo wa faida wa mwisho wa asilimia 35 unaotokana na hisa zilizotolewa za mtaji kufikia Desemba 31 mwaka 2002 ambao, pamoja na mgawo wa faida wa muda wa asilimia 15 uliolipwa tarehe 31 Oktoba mwaka 2002 unafikisha jumla ya asilimia 50 katika hicho kipindi kilichomalizika tarehe 31 Desemba mwaka 2002.

MALENGO NA SERA ZA KUSIMAMIA UWEZEKANO WA HASARA YA KIFEDHA

Shughuli za kampuni hii zinaiweka katika hatari mbalimbali za hasara ya kifedha ikiwemo hadhari ya mkopo pamoja na mabadiliko katika deni na bei katika soko la hisa, viwango vya ubadilishanaji wa fedha za kigeni pamoja na viwango vya riba. Kwa jumla, sera maalum za kusimamia uwezekano wa hasara ya kifedha zinalenga mabadiliko ya mara kwa mara katika masoko ya fedha na zinanuia kupunguza athari zake kwa matokeo ya kifedha kwa mujibu wa nafasi zilizopo nchini Kenya kujikinga dhidi ya hatari hizo.

Sera hizo zilizoidhinishwa na Halmashauri ya Wakurugenzi zinatekelezwa na idara ya hazina ya kampuni. Idara hiyo inatambua, tathmini na kuzuia kutokea kwa hasara. Halmashauri ya wakurugenzi inachapisha sera jumla za kusimamia hasara ambayo huenda ikatokea pamoja na sera nyingine za kukabiliana na hasara maalum zinazotokana na ubadilishanaji wa fedha za kigeni, hasara katika viwango vya riba, hadhari ya mkopo, matumizi ya mbinu za kuchuma fedha na kuwekeza fedha za ziada.

Aidha sera hizo zinahakikisha kuwa wanaouziwa ni wateja wenye rekodi nzuri ya ulipaji madeni.

WAKURUGENZI

Orodha ya wakurugenzi iko katika ukurasa wa kumi na saba. Wakurugenzi wote walitumikia mwaka huo isipokuwa tu Bw D Aluanga aliyeteuliwa mnamo Desemba 10 mwaka 2002. Bw R C Henry alistaafu kama mkurugenzi mnamo Desemba 10 mwaka 2002.

Bw D Aluanga, mkurugenzi ambaye anastaafu kwa mujibu wa Kanuni 96 na, kwa vile anaweza kugombea uchaguzi, anajitolea kuwania ukurugenzi.

Bw A Poonawala, Bw G M Wilkinson na Bw FO Okello, wakurugenzi ambao wanastaafu kwa zamu kwa mujibu wa Kanuni 110 na, kwa vile wanaweza kugombea tena uchaguzi, wanajitolea tena kuwania ukurugenzi.

WAKAGUZI WA FEDHA

PricewaterhouseCoopers itaendelea kutekeleza wajibu wa ukaguzi wa fedha kwa mujibu wa Kifungu 159(2) cha Sheria ya Makampuni (Sura 486).

Kwa Amri ya Halmashauri.

J C Kinyua
KATIBU

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.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary to provide a reasonable basis for our opinion.

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 2002 and of the profit and cash flows of the group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi

20 March 2003

Statement of Directors' Responsiblities

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 Financial Reporting 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 company and its subsidiaries will not remain a going concern for at least the twelve months from the date of this statement.

H H O Awori Director	D Aluanga Director

20 March 2003


Autocue
on Media Group is
of its diverse group
of professionals

Group Profit and Loss Account

for the year ended 31 December, 2002

	Note	2002 Shs m	2001 Shs m
Sales	2	4,103.4	3,538.8
Cost of Sales		(962.3)	(978.0)
Gross profit		3,141.1	2,560.8
Distribution costs		(145.3)	(127.5)
Administrative expenses		(648.5)	(532.7)
Other operating expenses		(1,771.0)	(1,519.1)
Operating profit	3	576.3	381.5
Finance income/(costs)	5	41.6	(7.8)
Share of results of associate	15	17.3	16.5
Profit before tax		635.2	390.2
Tax	6	(255.9)	(127.0)
Profit before minority interest		379.3	263.2
Minority interest	23	24.5	(6.5)
Net profit		403.8	256.7
Earnings per share (Shs)			
Basic earnings per share	7	7.55	4.80
Dividends:			
Interim dividends – paid in the year	20	40.1	26.7
Proposed final dividend for the year	20	93.6	57.0
		133.7	83.7

Balance sheet

for the year ended 31 December, 2002

	Note	Group 2002 Shs m	Group 2001 Shs m	Company 2002 Shs m	Company 2001 Shs m
CAPITAL EMPLOYED					
Capital and reserves					
Share capital	8	267.5	178.3	267.5	178.3
Revaluation reserve	9	66.8	65.1	68.0	80.1
Retained earnings		1,899.0	1,718.1	1,864.1	1,680.8
Proposed dividends		93.6	57.0	93.6	57.0
Shareholders' funds		2,326.9	2,018.5	2,293.2	1,996.2
Minority interest	23	4.7	20.9	-	-
		2,331.6	2,039.4	2,293.2	1,996.2
Non-current liabilities					
Borrowings	10	-	3.8	-	-
Deferred tax	11	60.3	107.7	60.3	108.7
		60.3	111.5	60.3	108.7
		2,391.9	2,150.9	2,353.5	2,104.9
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	12	1,211.0	1,281.0	1,070.6	1,161.4
Prepaid operating lease rentals	13	56.4	73.2	54.6	71.4
Intangible assets	14	24.0	84.5	-	-
Investment in associate	15	224.9	193.2	125.3	94.6
Investment in subsidiaries		-	-	77.9	170.0
		1,516.3	1,631.9	1,328.4	1,497.4
Current assets					
Inventories	16	266.1	275.5	233.3	239.9
Receivables and prepayments	17	761.5	606.9	739.3	581.7
Current tax		-	19.5	-	12.5
Cash and cash equivalents	18	1,069.5	315.6	1,060.9	304.9
		2,097.1	1,217.5	2,033.5	1,139.0
Current liabilities					
Payables and accrued expenses	19	1,076.4	691.2	859.8	528.1
Borrowings	10	4.3	7.3	-	3.4
Current tax		140.8	-	148.6	-
		1,221.5	698.5	1,008.4	531.5
Net current assets		875.6	519.0	1,025.1	607.5
		2,391.9	2,150.9	2,353.5	2,104.9

The financial statements on pages 24 to 43 were approved for issue by the board of directors on 20 March 2003 and signed on its behalf by

H H O Awori
Director

D Aluanga
Director

Group Statement of Changes in Equity

for the year ended 31 December, 2002

	Note	Share capital Shs m	Revaluation reserve Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total Shs m
Year ended 31 December 2001						
At start of year						
- as previously reported		178.3	78.3	1,591.2	42.8	1,890.6
- deferred tax impact of IAS 40	15	-	-	(19.5)	-	(19.5)
reclassification of leasehold land	13,15	-	(18.1)	(40.9)	-	(59.0)
deferred tax on reclassification	11	-	5.4	-	-	5.4
- reversal of excess depreciation	13	-	-	10.0	-	10.0
- as restated		178.3	65.6	1,540.8	42.8	1,827.5
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
Net profit		-	-	256.7	-	256.7
Dividends						
- final for 2000 (paid)		-	-	-	(42.8)	(42.8)
- Interim for 2001 (paid)		-	-	(26.7)	-	(26.7)
- final for 2001 (proposed)		-	-	(57.0)	57.0	-
At end of year		178.3	65.1	1,718.1	57.0	2,018.5
Year ended 31 December 2002						
At start of year						
- as previously reported		178.3	77.8	1,768.5	57.0	2,081.6
- deferred tax impact of IAS 40	15	-	-	(19.5)	-	(19.5)
- reclassification of lease hold land	13,15	-	(18.1)	(40.9)	-	(59.0)
- deferred tax on reclassification		-	5.4	-	-	5.4
- reversal of excess depreciation	13	-	-	10.0	-	10.0
- as restated		178.3	65.1	1,718.1	57.0	2,018.5
Issue of shares	8	89.2	-	(89.2)	-	-
Under provision of deferred tax in prior years	11	-	(12.1)	-	-	(12.1)
Share of revaluation reserves	15	-	13.8	-	-	13.8
Net gains/(losses) not recognised in the profit and loss account		89.2	1.7	(89.2)	-	1.7
Net profit		-	-	403.8	-	403.8
Dividends						
- final for 2001 (paid)		-	-	-	(57.0)	(57.0)
- Interim for 2002 (paid)	20	-	-	(40.1)	-	(40.1)
- final for 2002 (proposed)	20	-	-	(93.6)	93.6	-
At end of year		267.5	66.8	1,899.0	93.6	2,326.9

Company Statement of Changes in Equity

for the year ended 31 December, 2002

	Note	Share capital Shs m	Revaluation reserve Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total Shs m
Year ended 31 December 2001						
At start of year						
- as previously reported		178.3	91.9	1,476.7	42.8	1,789.7
- reclassification of leasehold land	13	-	(11.7)	-	-	(11.7)
- deferred tax on reclassification	11	-	3.5	-	-	3.5
- reversal of excess depreciation	13	-	-	10.0	-	10.0
- as restated		178.3	83.7	1,486.7	42.8	1,791.5
Transfer on disposals		-	(3.6)	3.6	-	-
Net gains/ (losses) not recognised in the profit and loss account		-	(3.6)	3.6	-	-
Net profit		-	-	274.2	-	274.2
Dividends						
final for 2000 paid		-	-	-	(42.8)	(42.8)
interim for 2001 paid		-	-	(26.7)	-	(26.7)
proposed final for 2001		-	-	(57.0)	57.0	-
At end of year		178.3	80.1	1,680.8	57.0	1,996.2
Year ended 31 December 2002						
At start of year						
- as previously reported		178.3	88.3	1,670.8	57.0	1,994.4
- reclassification of leasehold land	13	-	(11.7)	-	-	(11.7)
- deferred tax on reclassification	11	-	3.5	-	-	3.5
- reversal of excess depreciation	13	-	-	10.0	-	10.0
- as restated		178.3	80.1	1,680.8	57.0	1,996.2
Under provision of deferred tax in prior years	11	-	(12.1)	-	-	(12.1)
Net gains/(losses) not recognised in the profit and loss account	8	-	(12.1)	-	-	(12.1)
Issue of shares		89.2	-	(89.2)	-	-
Net profit		-	-	406.2	-	406.2
Dividends						
final for 2001		-	-	-	(57.0)	(57.0)
Interim for 2002	20	-	-	(40.1)	-	(40.1)
proposed final for 2002	20	-	-	(93.6)	93.6	-
At end of year		267.5	68.0	1,864.1	93.6	2,293.2

Group Cash Flow Statement

for the year ended 31 December, 2002

	Note	2002 Shs m	2001 Shs m
Operating activities			
Cash generated from operations	22	1,191.7	779.8
Interest received	5	49.8	14.0
Interest paid	5	(7.1)	(29.0)
Tax paid		(148.0)	(172.0)
Net cash from operating activities		1,086.4	592.8
Investing activities			
Purchase of property, plant and equipment	12	(207.5)	(256.0)
Proceeds from the sale of property, plant and equipment		7.0	58.1
Proceeds from disposal of leasehold land		15.0	-
Acquisition of subsidiary, net of cash acquired	24	(16.3)	-
Acquisition of associate	15	(30.7)	-
Dividends received	15	3.9	4.0
Net cash used in investing activities		(228.6)	(193.9)
Financing activities			
Repayment of borrowings		(6.8)	(376.7)
Dividend paid		(97.1)	(69.5)
Net cash from financing activities		(103.9)	(446.2)
Increase/(decrease) in cash and cash equivalents		753.9	(47.3)
Movement in cash and cash equivalents			
At start of year		315.6	362.9
Increase/(decrease)		753.9	(47.3)
At end of year	18	1,069.5	315.6

Notes to the Accounts

for the year ended 31 December, 2002

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 Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Shs) and prepared under the historical cost convention as modified by the revaluation of certain property plant and equipment.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(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 intercompany 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 categories of property, plant and equipment are 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 other property, plant and equipment is 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 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:

Freehold land	2.5%
Buildings	2.5%
Plant and equipment	2.5 - 50%

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 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 to customers and performance of services, and are stated net of VAT and discounts.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Dividends are recognised as income in the period in which the right to receive payment is established.

(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

Trade receivables are carried at amortised invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the 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 recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(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 accrued leave is recognised when it accrues to employees.The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(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 contributions to the scheme are charged to the profit and loss account in the year to which they relate.

(n) Restructuring provisions

Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the company 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 ongoing activities of the company are not provided in advance.

(o) Investment property

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. Changes in fair value, net of deferred tax, are recorded in the profit and loss account and are included in other operating income.

(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 within the profit and loss account in the year in which they relate.

Income statements of foreign entities are translated into Kenya shillings at the average exchange rate 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. In particular, the comparative figures have been adjusted or extended to take into account the reclassification of leasehold land to comply with International Accounting Standards 17, Leases.

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	
	2002 Shs m	2001 Shs m	2002 Shs m	2001 Shs m	2002 Shs m	2001 Shs m
Sales	3,922.0	3,400.0	181.4	138.8	4,103.4	3,538.8
Allocated costs	(2,991.1)	(2,735.9)	(221.6)	(196.5)	(3,212.7)	(2,932.4)
Segment results	930.9	664.1	(40.2)	(57.7)	890.7	606.4
Unallocated costs					(314.4)	(224.9)
Operating profit					576.3	381.5
Finance income/(costs)					41.6	(7.8)
Share of results of associate					17.3	16.5
Profit before tax					635.2	390.2
Tax					(255.9)	(127.0)
Minority interest					24.5	(6.5)
Profit after tax					403.8	256.7
Segment assets	3,075.2	2,337.7	293.9	318.5	3,369.1	2,656.2
Investments in associates					271.7	220.6
					3,640.8	2,876.8
Segment liabilities	1,248.9	785.7	36.8	24.3	1,285.7	810.0
Capital expenditure	187.9	228.9	25.4	27.1	213.3	256.0
Depreciation	228.6	201.7	49.4	44.2	278.0	245.9
Amortisation	86.3	10.3	-	14.1	86.3	24.4
Other non-cash expenses	275.8	116.1	10.6	7.4	286.4	123.5

3 Operating profit

	2002 Shs m	2001 Shs m
The following items have been charged in arriving at operating profit		
Depreciation on property, plant and equipment (note 12)	278.0	245.9
Repairs and maintenance expenditure on property, plant and equipment	27.1	50.8
Amortisation of intangible assets (note 14)	84.5	24.4
Profit/(loss) on disposal of property, plant and equipment	(2.7)	4.5
Operating lease rentals – office buildings	69.7	70.3
- land and buildings (note 13)	1.8	1.8
Trade receivables - impairment charge for bad and doubtful debts	59.7	123.5
- Staff costs (note 4)	784.5	716.6
Auditors' remuneration	4.1	3.7

Notes to the Accounts

continued

4 Staff costs	**2002**	**2001**
	Shs m	**Shs m**
Salaries and wages	730.7	637.3
Restructuring costs	-	37.2
Social security costs	12.2	6.9
Retirement benefit costs - defined contribution scheme	41.6	35.2
	784.5	716.6

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

	Number	**Number**
Full time	657	789
Part time	309	270
	966	1,059

5 Finance income/costs	**2002 Shs m**	**2001 Shs m**
Interest income	49.8	14.0
Net foreign exchange gains	(1.1)	7.2
Interest payable	(7.1)	(29.0)
	41.6	(7.8)

6 Tax		
Current tax	308.6	136.8
Deferred tax (note 11)	(59.5)	(14.4)
Share of associate tax (note 15)	6.8	4.6
	255.9	127.0

6 Tax (continued)

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:

	2002 Shs m	2001 Shs m
Profit before tax	635.2	390.2
Tax calculated at a tax rate of 30 % (2001: 30%)	190.6	117.1
Tax effect of:		
- income not subject to tax	(0.3)	(1.2)
- expenses not deductible for tax purposes	39.9	11.1
- unrecognised tax losses	25.7	-
	255.9	127.0

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.

	2002 Shs m	2001 Shs m
Net profit attributable to shareholders (Shs million)	403.8	256.7
Weighted average number of ordinary shares in issue (million)	53.5	53.5
Basic earnings per share (Shs)	7.55	4.8

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

8 Share capital

	Group and Company	
	Number of shares (million)	**Ordinary shares Shs m**
Balance at 1 January 2001	35.7	178.3
Bonus issue	17.8	89.2
Balance at 31 December 2002	53.5	267.5

The total authorised number of ordinary shares is 60,000,000 with a par value of Shs.5 per share.

All issued shares are fully paid.

On 17 May 2002 a bonus issue of one share for every two held was made, by capitalising Shs.89,131,575 from retained earnings. A total of 17,826,315 shares of Shs 5 each were issued.

9 Revaluation reserve

	Land and buildings Shs m	Associate company Shs m	Currency translation Shs. m	Total Shs m
Group				
Year ended 31 December 2001				
At start of year				
- as previously reported	79.6	-	(1.3)	78.3
- reclassification of leasehold land (Note 13)	(18.1)	-	-	(18.1)
- deferred tax on reclassification (Note 11)	5.4	-	-	5.4
- as restated	66.9	-	(1.3)	65.6
Revaluation surplus	9.0	-	-	9.0
Deferred tax on revaluation	(5.2)	-	-	(5.2)
Transfer on disposals	(4.3)	-	-	(4.3)
At end of year	66.4	-	(1.3)	65.1
Year ended 31 December 2002				
At start of year				
- as previously reported	79.1	-	(1.3)	77.8
- reclassification of leasehold land (Note 13)	(18.1)	-	-	(18.1)
- deferred tax on reclassification (Note 11)	5.4	-	-	5.4
- as restated	66.4	-	(1.3)	65.1
Under provision of deferred tax in prior years (Note 11)	(12.1)	-	-	(12.1)
Share of revaluation reserves (Note 15)	-	13.8	-	13.8
At end of year	54.3	13.8	(1.3)	66.8

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

10 Borrowings

	Group 2002 Shs m	Group 2001 Shs m	Company 2002 Shs m	Company 2001 Shs m
Non-current				
Bank loans	-	3.8	-	-
Current				
Bank loans	4.3	3.9	-	-
Commercial paper	-	3.4	-	3.4
	4.3	7.3	-	3.4
	4.3	11.1	-	3.4

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

	2002	2001
Commercial paper	-	13.0%
Bank loans	17.0%	13.7%

11 Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using a principal tax rate of 30% (2001: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2002 Shs m	2001 Shs m	2002 Shs m	2001 Shs m
At start of year				
- as previously reported	114.4	123.6	112.2	123.6
- prior year adjustment (note 9,23)	(6.7)	(6.7)	(3.5)	(3.5)
- as restated	107.7	116.9	108.7	120.1
Credit to the profit and loss (note 6)	(59.5)	(14.4)	(60.5)	(11.4)
Property revaluations	-	5.2	-	-
Under provision of deffered tax in prior years (note 9)	12.1	-	12.1	-
At end of year	60.3	107.7	60.3	108.7

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

	1.1.02 Shs m	Charged / (credited) P & L Shs m	Equity Shs m	31.12.02 Shs m
Group				
Deferred tax liabilities				
Property, plant and equipment				
- historical cost	115.0	(34.8)	-	80.2
- revaluation surplus	6.6	(1.3)	12.1	17.4
	121.6	(36.1)	12.1	97.6
Deferred tax asset				
Provisions	(13.9)	(23.4)	-	(37.3)
Tax losses carried forward	-	(25.7)	-	(25.7)
	107.7	(85.2)	12.1	34.6
Unrecognised tax losses	-	25.7	-	25.7
Net deferred tax liability	107.7	(59.5)	12.1	60.3
Company				
Deferred tax liabilities				
Property, plant and equipment				
- historical cost	110.0	(29.8)	-	80.2
- revaluation surplus	6.3	(1.0)	12.1	17.4
	116.3	(30.8)	12.1	97.6
Deferred tax asset				
Provisions	(7.6)	(29.7)	-	(37.3)
Net deferred tax liability	108.7	(60.5)	12.1	60.3

12 Property, plant and equipment

	Land and Buildings Freehold Shs m	Leasehold Shs m	Plant and equipment Shs. m	Total Shs m
Group				
Cost or valuation				
At 1 January 2002	11.5	323.2	1,962.2	2,296.9
- reclassification of leasehold land (note 13)	-	(101.9)	-	(101.9)
- as restated	11.5	221.3	1,962.2	2,195.0
Additions	2.5	13.2	191.8	207.5
Acquisition of subsidiary (note 24)	-	-	5.8	5.8
Disposals	-	(0.4)	(18.9)	(19.3)
At end of year	14.0	234.1	2,140.9	2,389.0
Depreciation				
At start of year	0.5	39.7	890.4	930.6
- reclassification of leasehold land (note 13)	-	(16.4)	-	(16.4)
- as restated	0.5	23.3	890.4	914.2
Charge for the year	0.1	9.4	268.5	278.0
Acquisition of subsidiary (note 24)	-	-	1.0	1.0
Disposals	-	-	(15.2)	(15.2)
At end of year	0.6	32.7	1,144.7	1,178.0
Net book amount				
At 31 December 2002	13.4	201.4	996.2	1,211.0
At 31st December 2001 (restated)	11.0	198.2	1,071.8	1,281.0
Company				
Cost or valuation				
At start of year	5.6	283.5	1,826.5	2,115.6
- reclassification of leasehold land (note 13)	-	(88.5)	-	(88.5)
- as restated	5.6	195.0	1,826.5	2,027.1
Additions	2.5	-	165.1	167.6
Disposals	-	-	(15.7)	(15.7)
At end of year	8.1	195.0	1,975.9	2,179.0
Depreciation				
At start of year	0.6	39.8	841.2	881.6
- reclassification of leasehold land (note 13)	-	(15.9)	-	(15.9)
- as restated	0.6	23.9	841.2	865.7
Charge for the year	0.1	8.1	247.8	256.0
Disposals	-	-	(13.3)	(13.3)
At end of year	0.7	32.0	1,075.7	1,108.4
Net book amount				
At 31 December 2002	7.4	163.0	900.2	1,070.6
At 31 December 2001 (restated)	5.0	171.1	985.3	1,161.4

12 Property, plant and equipment (continued)

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).

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

	Group		Company	
	2002 Shs m	2001 Shs m	2002 Shs m	2001 Shs m
Cost	156.2	154.4	131.3	128.8
Accumulated depreciation	(19.7)	(14.4)	(19.2)	(13.9)
Net book amount	136.5	140.0	112.1	114.9

13 Prepaid operating lease rentals

Following a clarification by the International Accounting Standards Board (IASB) in January 2002 and further guidance by the Institute of Certified Public Accountants of Kenya (ICPAK) the company has reclassified leasehold land from property, plant and equipment to prepaid operating lease rentals to be carried at historical cost less amortisation over the period of the lease. As part of the reclassification, the revaluation surplus on leasehold land has been reversed against the revaluation reserve in the shareholders' equity.

The effect of the reclassification of leasehold land is as follows:

	Group		Company	
	2002 Shs m	2001 Shs m	2002 Shs m	2001 Shs m
Net book amount reclassified from property, - plant and equipment (Note 12)	85.5	87.3	73.1	74.9
Reversal of revaluation surplus (Note 9, 23)	(22.3)	(22.3)	(11.7)	(11.7)
Reversal of excess depreciation in prior years	10.0	10.0	10.0	10.0
	73.2	75.0	71.4	73.2
Disposal in the year	(15.0)	-	(15.0)	-
Amortisation charge for the year	(1.8)	(1.8)	(1.8)	(1.8)
At end of year	56.4	73.2	54.6	71.4

14 Intangible assets

	Goodwill Shs m
Group	
Cost	
At start of year	102.6
Acquisition of associate (note 15)	19.4
Acquisition of subsidiary (note 24)	4.6
At end of year	126.6
Amortisation	
At start of year	18.1
Amortisation in the year	84.5
At end of year	102.6
Net book amount	
31 December 2002	24
31 December 2001	84.5

15 Investment in associates

	Group	
	2002 Shs m	**2001 Shs. m**
At start of year		
- as previously reported	253.6	245.7
- deferred tax on revaluation of investment property	(19.5)	(19.5)
- reversal of revaluation surplus on leasehold land	(40.9)	(40.9)
- as restated	193.2	185.3
Acquisition	11.3	-
Share of result before tax	17.3	16.5
Share of tax	(6.8)	(4.6)
	10.5	11.9
Dividends received	(3.9)	(4.0)
Share of revaluation surplus	13.8	-
	224.9	193.2

The prior year adjustments relates to the recognition of defered tax on revaluation of investment properties and the reversal of revaluation surplus on leasehold land, following clarifications by IASB during the year.

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

On 31 December 2002, the company acquired 49% shareholding in Radio Uhuru Limited for Shs 30,748,305. Radio Uhuru Limited is incorporated in Tanzania and its principal business is the operation of a Radio broadcasting station Details of net assets acquired and goodwill are as follows:

	2002 Shs m
Cash and bank balance	0.2
Property, plant and equipment	14.5
Payables and accrued expenses	(3.4)
Fair value of net assets acquired	11.3
Goodwill on acquisition (Note 14)	19.4
Total purchase consideration	30.7

		Group		Company	
		2002 Shs m	2001 Shs m	2002 Shs m	2001 Shs m
16	**Inventories**				
	Raw materials at cost	179.3	208.5	169.9	196.5
	Engineering spares at cost	41.5	36.2	28.8	33.3
	Other stock at cost	45.3	30.8	34.6	10.1
		266.1	275.5	233.3	239.9
17	**Receivables and prepayments**				
	Trade receivables	650.2	623.6	476.7	508.1
	Less: provision for impairment	(359.0)	(310.3)	(258.1)	(249.6)
		291.2	313.3	218.6	258.5
	Other receivables	419.5	284.4	491.1	315.4
	Prepayments	50.8	9.2	29.6	7.8
		761.5	606.9	739.3	581.7
18	**Cash and cash equivalents**				
	Cash at bank and in hand	267.4	94.5	259.6	83.8
	Short term bank deposits	802.1	221.1	801.3	221.1
		1,069.5	315.6	1,060.9	304.9

The weighted average effective interest rate on short-term bank deposits was 6.1% (2001: 9.5%).

19 Payables and accrued expenses

	2002 Group	2001 Group	2002 Company	2001 Company
Trade payables	322.5	293.3	232.4	218.2
Accrued expenses	483.3	279.3	472.8	260.7
Other payables	270.6	118.6	154.6	49.2
	1,076.4	691.2	859.8	528.1

20 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 29 May 2003, a final dividend in respect of the year ended 31 December 2002 of Shs 1.75 per share amounting to a total of Shs 93.6 million is to be proposed. During the year, an interim dividend of Shs 0.75 per share, amounting to a total of Shs 40.1 million was paid. The total dividend for the year is, therefore, Shs 2.50 per share (2001: Shs 2.35), amounting to a total of Shs 133.7 million (2001: Shs 83.7 million).

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-residents.

21 Commitments

Capital expenditure

Commitments for capital expenditure at the balance sheet date are as follows:

	Group	
	2002 Shs m	2001 Shs m
Contracted for but not provided for	9.3	15.4

Operating leases

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

	2002 Shs m	2001 Shs m
Not later than 1 year	69.7	67.0
Later than 1 year and not later than 5 years	305.5	318.5
	375.2	385.5

22 Cash generated from operations

	2002 Shs m	2001 Shs m
Reconciliation of profit before tax to cash generated from operations		
Profit before tax	635.2	390.2
Adjustments for		
depreciation (Note 12)	278.0	244.1
amortisation of prepaid operating lease rentals (Note 13)	1.8	1.8
profit on sale of property, plant and equipment	(2.7)	(4.5)
interest income (Note 5)	(49.8)	(14.0)
interest expense (Note 5)	7.1	29.0
amortisation of intangible assets (Note 14)	84.5	24.4
share of result before tax of associate (Note 15)	(17.3)	(16.5)
Changes in working capital		
inventories	9.4	(97.6)
receivables and prepayments	(128.4)	15.7
payables and accrued expenses	373.9	207.2
Cash generated from operations	1,191.7	779.8

23 Minority interest

	2002 Shs m	2001 Shs m
At start of year		
- as previously reported	23.8	17.3
- reversal of revaluation surplus on leasehold land (Note 13)	(4.2)	(4.2)
- deferred tax on reversal (Note 11)	1.3	1.3
- as restated	20.9	14.4
Acquisition of subsidiary (Note 24)	8.3	-
Share of results for the year	(24.5)	6.5
	4.7	20.9

24 Acquisition of subsidiary

In December 2002, the company acquired 60% of the share capital of Mwananchi Communications Limited, incorporated in Tanzania, for Shs 17.1 million.

Details of net assets acquired and goodwill are as follows:	2002 Shs m
Purchase consideration	17.1
Less fair value of net assets acquired	(12.5)
Goodwill (Note 14)	4.6

The assets and liabilities arising from the acquisition are as follows:

Cash and bank balances	0.8
Property, plant and equipment (Note 12)	4.8
Receivables and prepayments	26.2
Payables and accrued expenses	(11.0)
Minority interest	(8.3)
Fair value of net assets acquired	12.5
Goodwill (Note 14)	4.6
Total purchase consideration	17.1
Less: cash and bank balances	(0.8)
Cost flow on acquisition	16.3

25 Contingent liabilities

The group is a defendant in various legal actions. The directors have, after taking appropriate legal advice, made a provision where there is a possibility of a loss to the group.

26 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	2002 Shs m	2001 Shs m
Other related parties	69.7	87.0

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

ii) Loans to executive directors	2002 Shs m	2001 Shs m
At start of year	13.5	15.5
Loans advanced during the year	17.9	-
Loans repaid during the year	(7.9)	(2.0)
At end of year	23.5	13.5

25 Related party transactions (continued)

ii) Loans to executive directors (continued)

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

iii) Directors' remuneration

	2002 Shs m	2001 Shs m
Fees	7.0	5.6
Other	51.1	48.4
	58.1	54.0

27 Subsidiary companies

	Country of incorporation	Holding %
Active subsidiary companies		
Nation Marketing & Publishing Limited	Kenya	100
Monitor Publications Limited	Uganda	60
Mwananchi Communications Limited	Tanzania	60
Nation Carriers Uganda Limited	Uganda	100
Associate companies		
Property Development and Management Limited	Kenya	20
Radio Uhuru Limited	Tanzania	49

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

Five Year Financial Summary

	2002 Shs m	2001 Shs m	2000 Shs m	1999 Shs m	1998 Shs m
Results					
Turnover	4,103.4	3,538.8	3,022.6	2,450.5	2,409.6
Profit before tax	635.2	390.2	296.1	340.0	488.6
Profit attributable to shareholders	403.8	256.7	203.1	247.6	315.9
Net assets					
Fixed assets	1,543.7	1,659.3	1,755.4	1,722.7	1,389.5
Net current assets	871.7	519.0	476.1	238.9	382.2
Non-current liabilities	(60.3)	(111.5)	(323.6)	(151.6)	(277.7)
Minority interests	(4.7)	(20.9)	(17.3)	(2.9)	(3.1)
Shareholders funds	2,350.4	2,045.9	1,890.6	1,807.1	1,490.9
Profit before tax					
as a percentage of turnover(%)	15.5	11.00	9.80	13.87	20.28
Earnings per share (Shs)*	7.55	4.80	3.80	4.63	5.90
Dividends per share (Shs)*	2.50	1.56	1.17	1.17	1.10
Dividend cover (times)	3.02	3.07	3.25	3.97	5.37

*Adjusted for bonus issues

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	2002 Shs m	2001 Shs m	2000 Shs m	1999 Shs m	1998 Shs m
Matokeo					
Jumla ya mapato	4,103.4	3,538.8	3,022.6	2,450.5	2,409.6
Faida kabla ya kodi	635.2	390.2	296.1	340.0	488.6
Faida kwa wenyehisa	403.8	256.7	203.1	247.6	315.9
Mali halisi					
Mali thabiti	1,543.7	1,659.3	1,755.4	1,722.7	1,389.5
Mali halisi za sasa	871.7	519.0	476.1	238.9	382.2
Madeni ya muda mrefu	(60.3)	(111.5)	(323.6)	(151.6)	(277.7)
Wenyehisa wachache	(4.7)	(20.9)	(17.3)	(2.9)	(3.1)
Malipo ya wenyehisa	2,350.4	2,045.9	1,890.6	1,807.1	1,490.9
Faida kabla ya kodi					
Kama asilimia ya mapato	15.5	11.00	9.80	13.87	20.28
Mapato kwa kila hisa (Shilingi)*	7.55	4.80	3.80	4.63	5.90
Migawo kwa kila hisa (Shilingi)*	2.50	1.56	1.17	1.17	1.10
Malipo ya hisa (mara)	3.02	3.07	3.25	3.97	5.37

*Badiliko kuhusu hisa za bonasi

Five Year Performance Statistics