Nation Media Group Limited

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Brand Belief

We believe that the development of an informed perspective enables communities to fulfill their true potential. Nation Media Group Limited therefore creates multiple media opportunities to inform, educate and entertain.

Notice of Annual General Meeting

Notice is hereby given that the Forty First Annual General Meeting of the Shareholders of Nation Media Group Limited will be held at the Nation Printing Plant, Mombasa Road, Nairobi on Thursday 27 May 2004 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1 To receive the accounts for the year ended 31 December 2003 and the chairman's, directors' and auditors' reports thereon.

2 To confirm the payment of the interim dividend of 20% and to approve the payment of a final dividend of 80% on the ordinary share capital in respect of the year ended 31 December 2003.

3 To approve the payment of a special dividend of 100% on the ordinary share capital in respect of the year ended 31 December 2003.

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

5 To re-elect the following director:

In accordance with Article 110 of the Company's Articles of Association Mr. D. d'Acremont retires by rotation and, being eligible, offers himself for re-election.

SPECIAL BUSINESS

6. To consider and if thought fit pass the following resolutions as Special Resolutions:

(a) "That Mr. H. H. O. Awori, a director who retires in accordance with Article 101 and who has attained the age of 73, shall notwithstanding that fact, be re-elected as a director of the Company for a further period of three years."

(b) "That Dr. M. J. Aliker, a director who retires in accordance with Article 101 and who has attained the age of 74, shall notwithstanding that fact, be re-elected as a director of the Company for a further period of three years."

By order of the Board
J C Kinyua
Secretary

18 March 2004

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.

2007/1549

Tangazo linatolewa hapa kwamba Mkutano Mkuu wa Mwaka wa Arobaini na Moja wa Wenyehisa wa Kampuni ya Nation Media Group Limited utafanyika kwenye jengo la Nation Printing Plant, Mombasa Road- Nairobi, siku ya Alhamisi, tarehe 27 Mei Mwaka wa 2004, saa tisa Alasiri kwa madhumuni yafuatayo:

SHUGHULI ZA KAWAIDA

1. Kupokea hesabu za kipindi kilichomalizika tarehe 31 Desemba Mwaka 2003 pamoja na ripoti ya Mwenyekiti, Wakurugenzi na Wakaguzi wa fedha.

2. Kuthibitisha malipo ya mgawo wa asilimia 20 na kuidhinisha malipo ya mgawo wa mwisho wa asilimia 80 kwa mtaji wa hisa za kawaida kulingana na mwaka uliomalizika tarehe 31 Desemba 2003.

3. Kuidhinisha malipo ya mgawo maalum wa asilimia mia moja kwa mtaji wa hisa za kawaida, kulingana na mwaka uliomalizika tarehe 31 Desemba mwaka wa 2003.

4. Kuwapa Wakurugenzi mamlaka ya kuamua malipo ya Wakaguzi wa fedha, PricewaterhouseCoopers.

5. Kumchagua tena Mkurugenzi afuatao:

   Kuambatana na kifungu cha 110 cha kanuni za Kampuni, Bw. D. d' Acremont anastaafu kwa mzunguko, na ana uwezo wa kujitolea kuchaguliwa tena.

SHUGHULI MAALUM

6. Kwa kuzingatia na ikiafikiwa vyema, uamuzi ufuatao kama uamuzi maalum:

(a) "Kwamba Bw. H.H.O. Awori, Mkurugenzi ambaye anastaafu kuambatana na kifungu cha 101 cha kanuni za kampuni na ambaye amefikia umri wa miaka 73, licha ya maelezo hayo, ataweza kuchaguliwa tena kama Mkurugenzi wa kampuni kwa kipindi cha miaka mitatu ijayo".

(b) "Kwamba Dkt. M.J. Aliker, Mkurugenzi anayestaafu kuambatana na kifungu cha 101 cha kanuni za kampuni na ambaye amefikia umri wa miaka 74, licha ya maelezo hayo, ataweza kuchaguliwa tena kama Mkurugenzi wa kampuni kwa kipindi cha miaka mitatu ijayo".

Kwa Amri ya Halmashauri,
J C Kinyua
KATIBU

Machi 18, Mwaka 2004

ILANI: 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 ofisi iliyosajiliwa saa 48 kabla ya saa iliyotangazwa ya kuanza mkutano.

Annual Highlights 2003

- ***Group turnover increases by Shs.365.7 million (9%) to Shs.4.5 billion***
- ***Nation Broadcasting turnover increases by 37%***
- ***Operating profit at Shs.810.2 million increases by 41%***
- ***Profit attributable to shareholders increases by 49% to Shs.602.8 million***
- ***Proposed ordinary dividend for the year increases by 100%***
- ***Proposed special dividend of Kshs.267.5 million***

Matukio Muhimu ya 2003

- ***Mapato ya Kampuni yaliongezeka kwa Shilingi milioni 365.7 (asilimia 9) hadi Shilingi bilioni 4.5***
- ***Mapato ya Nation Broadcasting yaliongezeka kwa asilimia 37***
- ***Faida ya kibiashara ya Shilingi milioni 810.2 iliongezeka kwa asilimia 41***
- ***Faida inayostahili wenye hisa iliongezeka kwa asilimia 49 hadi Shilingi milioni 602.8***
- ***Mgawo wa kawaida wa mwaka uliopendekezwa uliongezeka kwa asilimia 100 kwa mwaka uliomalizika***
- ***Mgawo maalum uliopendekezwa wa Shilingi milioni 267.5***

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.

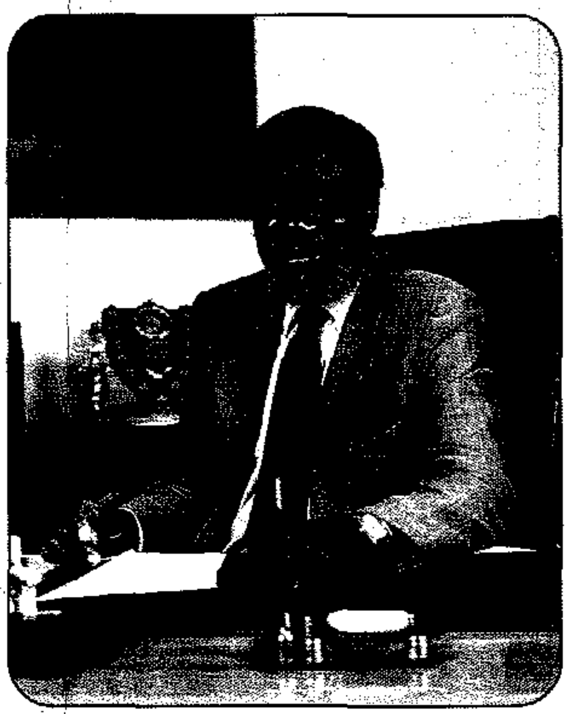
The Group Chief Executive chairs the Executive Committee which comprises the executive directors and other senior executives. The committee deals with operational matters and co-ordinates activities across the group's various subsidiary companies and divisions.

Corporate Social Responsibility

Nation Media Group is an involved corporate citizen and corporate social responsibility is an important aspect of our business strategy.

The Group actively engages in projects and initiatives which help improve the lives of the people and the environment within which we operate. An example of this is the Nation Aberdare Forest Fund which we established for purposes of raising money to fence the Aberdare ranges by the year 2005. This project is intended to protect a key water source for a significantly large portion of Kenya's population and also assist in containing the human wildlife conflict. We also joined other partners to organise the East Africa Business Summit at which top Chief Executive Officers from around East Africa gathered to discuss the region's economic future.

Ultimately, the seriousness of our corporate citizenship is manifested in the growth of our business and the warm welcome we receive across the East African region.



Hannington Awori
Chairman

I am pleased to report another excellent year for your group, with further growth in revenue, profits and returns to the shareholders.

Following a period of rapid expansion over the past five years, the group's attention in the immediate past year has been focused on consolidation of its ongoing activities in East Africa.

In particular, the group concentrated on rolling out of radio and television broadcasting services in Kenya, rationalisation and relocation of operations at Monitor Publications Limited to its own premises in Uganda and commencement of setting up operations in Tanzania.

We are very encouraged by the results we are beginning to see from our new ventures and are confident that these developments will soon begin to make positive contributions to the group's results.

Even as we continue to consolidate our position in the media segments and geographic markets we presently operate in, we are constantly exploring for further opportunities.

2003 RESULTS

Group profit attributable to shareholders increased by 49% to Kshs.602.8 million in 2003. Group performance benefited from strong performance of the Nation Newspapers as well as significant improvements in performance over prior years in Nation Broadcasting and Monitor Publications (Uganda).

The group's cash reserves grew from Kshs.1.1 billion at the end of 2002 to Kshs.1.3 billion after Kshs.463.6 million investment in capital expenditure while the Group's market capitalisation increased from Kshs.4.5 billion in December 2002 to Kshs.10.2 billion in December 2003.

Following the payment of an interim dividend of Kshs.1.00 (20%) per share in October last year, your board now recommends a final dividend payment of Kshs.4.00 (80%) per share. The total ordinary dividend for 2003 at Kshs.5.00 (100%) per share represents a 100% increase over last year's payout of Kshs.2.50 per share.

Additionally, in view of the excellent performance of your Group in the recent past and having taken due regard to the contemplated investments in the future, your board

> *"We intend to maintain our strategy of consolidating our position in the media industry in East Africa while we establish a firm foundation to pursue other opportunities beyond our current area of operations."*

further recommends the payment of a one-off special dividend of Kshs.5.00 (100%) per share.

STRATEGY

We intend to maintain our strategy of consolidating our position in the media industry in East Africa while we establish a firm foundation to pursue other opportunities beyond our current area of operations.

THE BOARD

I would like to thank all the Board members and in particular pay tribute to Mr. Wilfred Kiboro, who as your Group Chief Executive has continued to lead the company with dedication and determination. The stability and continuity of our management team and our Board of Directors continue to be an important asset for our company as we consolidate our existing businesses and seek other opportunities to sustain the growth and value of your company.

Mr. Hannington Awori
Chairman

Unity: President Benjamin Mkapa of Tanzania, President Yoweri Museveni of Uganda, and President Mwai Kibaki at the historic signing of the East African customs union in Arusha.

Hand over: The final draft of the new constitution is handed to Attorney General Amos Wako (centre), by review commission secretary Patrick Lumumba (left) and chairman Yash Pal Ghai at Bomas of Kenya, Nairobi in March 2004

Hannington Awori
Mwenyekiti

Ni furaha yangu kutoa ripoti nyingine ya mwaka wenye mafanikio maridhawa kwa kampuni hii, huku kukiwa na faida ya mapato ya juu na matokeo bora kwa wenyehisa.

Kufuatia kipindi cha upanuzi wa kasi kwa muda wa miaka mitano iliyopita, katika miaka ya nyuma kampuni hii imeangazia pakubwa uimarishaji wa shughuli zake kwenye kanda ya Afrika Mashariki.

Hususan, kampuni imezingatia kusambaza huduma zake za mawasiliano kupitia utangazaji wa Redio na Runinga kwote nchini.Hali kadhalika kwa kutumia falsafa nzuri, kampuni iliweza kuhamisha shughuli za kampuni ya Monitor Publications Limited hadi kwa jengo lao maalum huko nchini Uganda na kuanzisha mikakati ya shughuli nchini Tanzania.

Kutokana na matokeo bora ambayo tumeanza kuyaona yanayotokana na biashara zetu mpya, tumepata matumaini makubwa na tuna imani thabiti kuwa maendeleo haya hivi karibuni yatatupa matokeo bora zaidi.

Hata wakati tunapoendelea kuimarisha hali yetu katika kitengo cha vyombo vya habari na mazingira ya kibiashara tunayofanyia kazi, daima tunajitahidi kutafuta mbinu zaidi za kuboresha shughuli zetu.

MATOKEO YA 2003

Faida ya Kampuni kwa wenyehisa iliongezeka kwa asilimia 49 hadi shilingi milioni 602.8 katika mwaka wa 2003. Mapato ya kampuni yaliongezeka hasa kutokana na mapato bora ya kitengo cha magazeti na hali kadhalika ufanisi bora katika utendakazi kwenye kitengo cha Utangazaji na Monitor Publications nchini Uganda, ukilinganisha na miaka iliyopita.

Kipato kamili cha fedha za kampuni kiliongezeka kutoka shilingi bilioni 1.1 kufikia mwisho wa mwaka 2002 hadi shilingi bilioni 1.3 baada ya matumizi ya mtaji wa uwekezaji wa shilingi Milioni 463.6, wakati ambapo uwekaji wa mtaji wa kampuni uliongezeka kutoka shilingi bilioni 4.5 mnamo mwezi Desemba, 2002 hadi shilingi bilioni 10.2 mnamo Desemba , 2003.

Kufuatia malipo ya mgawo wa kawaida ya shilingi 1.00 (asilimia 20) kwa hisa mnamo mwezi oktoba mwaka 2003, sasa halmashauri yenu inapendekeza malipo ya mgawo wa mwisho wa shilingi 4.00 (asilimia 80) kwa hisa.
Jumla ya mgawo wa hisa za kawaida wa mwaka wa 2003 wa shilingi 5.00 (asilimia 100) kwa hisa, ikiwakilisha ongezeko la asilimia 100 ukilinganisha malipo ya mwaka uliopita ya shilingi 2.50 kwa hisa.

Zaidi ya hayo, tukiangalia utendaji kazi wa kampuni hii kwa miaka ya hivi karibuni,tukilingania mipango ya

"Tuna azimia kudumisha mikakati na kuimarisha hali yetu katika sekta ya Utangazaji kwenye kanda ya Afrika Mashariki, huku tukiboresha misingi thabiti ya kujihusisha na shughuli nyinginezo ambazo hatuzitekelezi wakati huu.."

uwekezaji wa miaka ijayo, halmashauri hii inapendekeza malipo maalum ya mgawo wa shilingi 5.00 (asilimia 100) kwa hisa.

MIKAKATI

Tuna azimia kudumisha mikakati na kuimarisha hali yetu katika sekta ya Utangazaji kwenye kanda ya Afrika Mashariki, huku tukiboresha misingi thabiti ya kujihusisha na shughuli nyinginezo ambazo hatuzitekelezi wakati huu.

HALMASHAURI

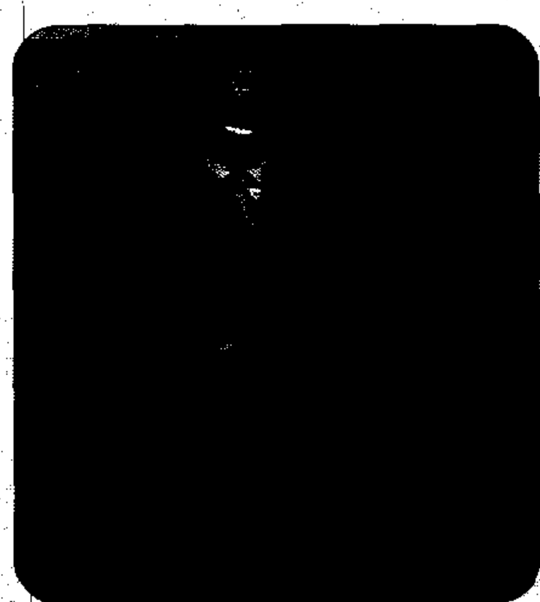
Ningependa kuwashukuru wanachama wote wa halmashauri na hasa kumpongeza Bw. Wilfred Kiboro ambaye ni Afisa Mkuu Mtendaji, kwa kuingoza kampuni kwa ustadi, kujitolea kwa dhati na uaminifu wa kazi yake. Uthabiti na uimara wa wasimamizi na Halmashauri ya Wakurugenzi, wanazidi kuwa kiungo muhimu kwa kampuni hii wakati ambapo tunapoimarisha biashara tunayoiendesha na kutafuta fursa nyingine ili kukimu uzalishaji, ukuaji na thamani ya kampuni.

Bw. Hannington Awori
Mwenyekiti

Kibarua kigumu: wafanyikazi wa Monitor 93.3 fm (Uganda) wakiwa katika mchuano wa ' Fa men challenge`

Hip! Hip! Hivi ndivyo wanavyoelekea kusema wafanykazi hawa wa 'Nation' huku wakiupanda ukuta katika warsha iliyofanyika huko Outward Bound Oloitoktok

Group Chief Executive's Report



W D Kiboro
Group Chief Executive Officer

Following the unprecedented change in government which generated a welcome strong news environment after the 2002 election, the group also benefited from unexpected factors which worked to its advantage in 2003. The global price of newsprint remained favourable for the greater part of the year while the Kenya shilling maintained its stability against the dollar contributing further to the good results. The group entered into daily newspaper publishing and radio broadcasting in Tanzania and increased its turnover by 8.9% to yet another record level of Kshs.4.5 billion.

The group operating profit before interest at Kshs.810.2 million (2002: Kshs.576.3 million) was 40.6% ahead of last year while profit before tax at Kshs.872.6 million (2002:Kshs.635.2 million) improved by 37.4%.

Capital expenditure for the year was Kshs.463.6 million. The main capital projects undertaken in the year were the national roll out of radio and television broadcast services and commissioning of a new printing colour tower in Kenya and equipping of Monitor Publications new premises in Uganda.

NATION NEWSPAPERS DIVISION (NND)

Unlike in previous post election periods when circulation copy sales declined, the experience in 2003 was different. A vibrant news environment resulted in a buoyant circulation market from which NND's publications benefited following substantial product development and deliberate action by management to hold cover prices for a third successive year.Nation Newspapers increased its advertising market share and revenue grew by 9%.Costs were well controlled and escalation was contained in line with inflation and increased activity levels.

The main editorial development in the year was the Kenya@40 series, a high quality well researched package of Kenya's historical moments since independence in 1963. The series were published weekly from July 2003 and culminated with the last issue on the country's independence anniversary date of December 12.

NATION MARKETING AND PUBLISHING LIMITED (NMP)

Following the successful relaunch of the Nation Business Directory in 2002, the directory managed to grow its revenue by 52% which contributed to a first time operating profit for the division.

The Weekly Advertiser retained its lead position in the free-sheet market segment.

NATION BROADCASTING DIVISION (NBD)

Nation Broadcasting attained two major milestones during the year. First, the division extended its radio and television reach across Kenya and secondly, the division achieved a cash operating surplus for the first time since its inception in 1999. Advertising revenue maintained its compound annual growth of over 30% which contributed significantly to its improved results.

Both the radio and television stations continue to command strong ratings in the market.

NATION CARRIERS DIVISION (NCD)

Nation Carriers Division's courier revenue grew by 19% in the year. The operations of the Courier section were reorganised in the last quarter of the year and significant growth in revenue has been recorded since then.

MONITOR PUBLICATIONS LIMITED - UGANDA (MPL)

As mentioned in my report last year, a detailed review of MPL was undertaken in the early part of the year. Following the review, the group discontinued the non core activities of contract printing and book publishing. The company also relocated its operations to its own premises in Kampala. Gross revenue increased by 17% over the prior year following gains in both advertising and circulation market shares. The company also benefited from savings on newsprint accruing from centralized purchasing by NMG in Nairobi. Monitor Radio performance is expected to improve following completion of a reorganization and revamping project currently underway.

The actions taken in the Monitor contributed to a significant turnaround in its performance resulting in a positive contribution to the group's results. Further improvement is expected following the installation of new printing facilities.

MWANANCHI COMMUNICATIONS LIMITED - TANZANIA (MCL)

Being the first year of the group's operation in Tanzania, management efforts were concentrated on building human resource capacity required to execute the envisaged development of the company's business in Tanzania. During the year, a printing press was acquired.The press will be installed in the second quarter of 2004. The installation of MCL's own printing facilities is expected to address the print capacity challenges which limited MCL's circulation volumes and colour advertising. MCL plans to launch a new daily publication in English in the course of 2004.

RADIO UHURU LIMITED - TANZANIA (RUL)

A revamp of the station's facilities was effected in the last quarter of the year. This was followed by introduction of new programming. The orientation of the station is intended to align it closer to the market needs and consequently improve the station's revenue generation capacity.

PROPERTY DEVELOPMENT AND MANAGEMENT LIMITED (PDM)

PDM maintained very impressive occupancy levels in both its commercial and residential properties at over 90%.

APPRECIATION

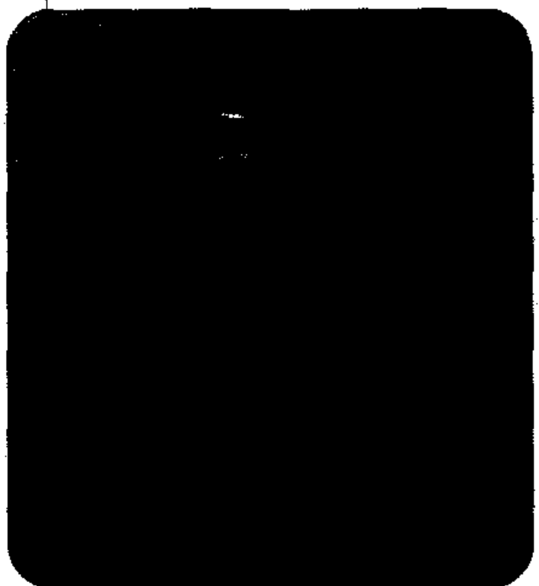
In conclusion, I would like to thank our loyal customers and staff for their continued support and contributions to our business success and also thank the Board for its untiring guidance and direction during the year. The achievement of yet another year of excellent performance bears clear testimony of the efforts of a great team. I trust that together we shall work as hard to achieve similarly good results in the year ahead.

W D Kiboro
Group Chief Executive Officer

Gruelling: A Land Rover attempts to cross an obstacle on the Rhino Charge - one of the many events which raised money for the Aberdare forest fencing fund

Launch: Chief Executive W Kiboro, (left) with Mombasa Mayor Ali Taib, (centre) and the 'Nation' Chairman H Awori cut a cake to mark the launch of Nation FM at the Coast

Ripoti ya Afisa Mkuu Mtendaji wa Kampuni



W D Kiboro
Afisa Mkuu Mtendaji wa Kampuni

Kufuatia mabadiliko ambayo hayakutegemewa katika serikali, yaliyopelekea kuwepo kwa mazingira mapya bora, baada ya uchaguzi wa mwaka 2002, kampuni ilifaidika kutokana na vipengee vilivyochangia kuboresha shughuli za mwaka wa 2003.

Bei ya kilimwengu ya karatasi ilibakia kuwa nafuu kwa kipindi kirefu cha mwaka ilhali shilingi ya Kenya ilibakia kwenye hali yake ya kuimarika dhidi ya Dola huku ikichangia matokeo bora.

Kampuni ilijishughulisha katika uchapishaji wa magazeti ya kila siku na utangazaji wa redio nchini Tanzania na ikaongeza mapato kwa asilimia 8.9, huku ikivunja rekodi nyingine tena ya shilingi bilioni 4.5.

Faida ya kampuni ya utendaji kazi kabla ya kutozwa riba ilikuwa shilingi milioni 810.2 (2002: Shilingi milioni 576.3) ilikuwa asilimia 40.6 zaidi ya mwaka uliotangulia, ilhali faida kabla ya kutozwa ushuru ilikuwa kwa shilingi milioni 872.6 (2002: Shilingi milioni 635.2) iliyoongezeka kwa asilimia 37.4.

Gharama ya matumizi ya mtaji wa mwaka ilikuwa shilingi milioni 463.6. Miradi mikuu ya iliyotekelezwa mwaka huo ilikuwa ni kusambaza matangazo ya redio na Runinga nchini kwote na kufungua mnara maalum unaotumiwa katika kutoa rangi kwenye magazeti (New Printing Colour Tower) nchini Kenya. Hali kadhalika ununuzi wa vyombo na vifaa vya uchapishaji katika jengo jipya la Monitor Publications nchini Uganda.

KITENGO CHA MAGAZETI CHA NATION

Kinyume na kilivyokuwa kipindi cha kabla ya uchaguzi wakati ambapo mauzo ya nakala ya gazeti yaliposhuka, matokeo yake yalikuwa tofauti na yale ya mwaka wa 2003. Hali ya dharura ya mazingira ya habari ilipelekea kuongezeka kwa mauzo ya nakala za magazeti kutokana na manufaa ya machapisho ya kitengo cha magazeti cha Nation (NND's Publications). Hii ni kufuatia mipango thabiti ya maendeleo ya bidhaa na usimamizi bora, bila ya kubadilisha bei ya magazeti kwa kipindi cha miaka mitatu mfululizo.

Magazeti ya Nation yaliimarisha kiwango cha mgawo wa soko la matangazo na ni kutokana na hali hiyo ndipo mapato yakaongezeka kwa asilimia 9.

Gharama zote zilisimamiwa kwa uzuri na umakini kulingana na mifumuko ya kifedha na kuzidi kwa viwango vya kikazi.

Maendeleo katika kitengo cha magazeti cha uandishi kwa mwaka huo yalikuwa kwenye mfululizo wa makala ya Kenya@40, jalada zuri ambalo lilifanyiwa utafiti wa kina uliohusisha maswala ya kihistoria tangu nyakati za kupigania uhuru katika mwaka 1963. Mfululizo huo wa makala ulichapishwa kila wiki kuanzia Julai, 2003 na kuambatanishwa sambamba na tukio la siku rasmi ya uhuru ambayo huadhimishwa tarehe 12, Desemba kila mwaka.

KAMPUNI YA NATION MARKETING AND PUBLISHING

Kufuatia uzinduzi wa kitabu cha Nation Business Directory uliofana wa mwaka wa 2002, kitabu hicho kiliweza kupandisha kiwango cha mapato yake kwa asilimia 52, ambayo yalichangia kukuza faida ya utendaji kazi kwa mara ya kwanza katika kitengo hicho.

Gazeti la Weekly Advertiser lilidumisha utendakazi wake bora katika soko huru la kitengo hicho.

KITENGO CHA NATION BROADCASTING

Kitengo cha utangazaji kiliweza kutimiza matukio mawili muhimu mwaka huo. Kwanza kabisa, kitengo hicho kilisambaza mawasiliano yake kwa wasikilizaji na watazamaji katika pembe zote za nchi.Pili, kitengo hiki kiliweza kupata fedha za kujisimamia kwa mara ya kwanza tokea kuanzishwa kwake mnamo mwaka wa 1999.Mapato ya mauzo yalibaki katika kiwango chake cha ukuaji cha kila mwaka ambacho huwa ni zaidi ya asilimia 30, kilichochangia pakubwa katika matokeo bora.

Vituo vyote viwili, kile cha Redio na Runinga vinazidi kupata viwango bora na umaarufu katika soko.

KITENGO CHA NATION CARRIERS

Mapato ya Idara ya Usafirishaji Bidhaa na Mizigo ya Nation Carriers (NCD) yaliimarika kwa asilimia 19 mwaka huo. Utendaji kazi wa kitengo hicho ulifanyiwa mabadiliko katika sehemu ya robo ya mwisho wa mwaka na kutoka wakati huo rekodi za ukuaji wa mapato yake umeimarika.

KAMPUNI YA MONITOR PUBLICATIONS - UGANDA

Kama ilivyotajwa katika ripoti yangu ya mwaka jana, uhakiki wa kina wa MPL ulifanywa mwanzoni mwa mwaka huo. Kuambatana na uhakiki huo, kampuni ilikatiza kandarasi na shughuli finyu za uchapishaji na uandishi wa vitabu. Kampuni hii pia iligurisha shughuli zake za utendaji kazi hadi katika sehemu ya majengo yao mapya ya uendeshaji shughuli zao jijini Kampala.

Mapato ya awali yaliongezeka kwa asilimia 17 ukilinganisha na mwaka uliotangulia, kufuatia ongezeko kati ya mauzo ya matangazo na mgawo wa soko la usambazaji magazeti. Kampuni pia ilinufaika kutokana na akiba ya makartasi ya uchapishaji iliyobakishwa kutoka kwa idara ya ununuaji bidhaa za NMG hapa jijini Nairobi.Uwajibikaji wa Monitor Radio unatarajiwa kuboreka kufuatia kukamilika kwa miradi mbalimbali ambayo inafanyiwa mahitimisho wakati huu.

Uamuzi huo uliochukuliwa katika uboreshaji wa Monitor ulichangia pakubwa kwenye ufanisi wake, jambo ambalo lilichangia matokeo bora. Matarajio mazuri zaidi yanategemewa kufuatia kununuliwa kwa vifaa vipya.

KAMPUNI YA MWANANCHI COMMUNICATIONS LIMITED - TANZANIA

Ukiwa mwaka wa kwanza wa shughuli za kampuni hii nchini Tanzania, jitihada za usimamizi zilizingatiwa katika kuimarisha utu-kazi unaohitajika ili kudhihirisha malengo thabiti ya maendeleo yaliyotarajiwa na kampuni hii huko nchini Tanzania. Katika mwaka huo, mitambo ya uchapishaji (matbaa) ilinunuliwa. Hata hivyo, matbaa hiyo itakamilishwa kuunganishwa katika sehemu ya robo ya pili ya mwaka wa 2004.Uwekwaji huo wa mitambo ya MCL,unatazamiwa kubainisha baadhi ya changamoto zitakazokabili MCL katika idadi yake ya usambazaji na kiwango cha rangi kitakachotumika katika machapisho yake. Hata hivyo, MCL ina mipango ya kuzindua gazeti la kiingereza la kila siku, kufikia mwisho wa mwaka huu wa 2004.

KAMPUNI YA RADIO UHURU LIMITED - TANZANIA

Mabadiliko ya kampuni ya Radio Uhuru yalitekelezwa katika sehemu ya mwisho ya mwaka huo. Hali hii ilifuatiwa na kubadilishwa kwa ratiba za vipindi. Mabadiliko hayo yanalengwa kupelekana sambamba na matakwa ya wasilikilizaji na hali kadhalika kuboresha na kuimarisha viwango vya mapato ya kampuni.

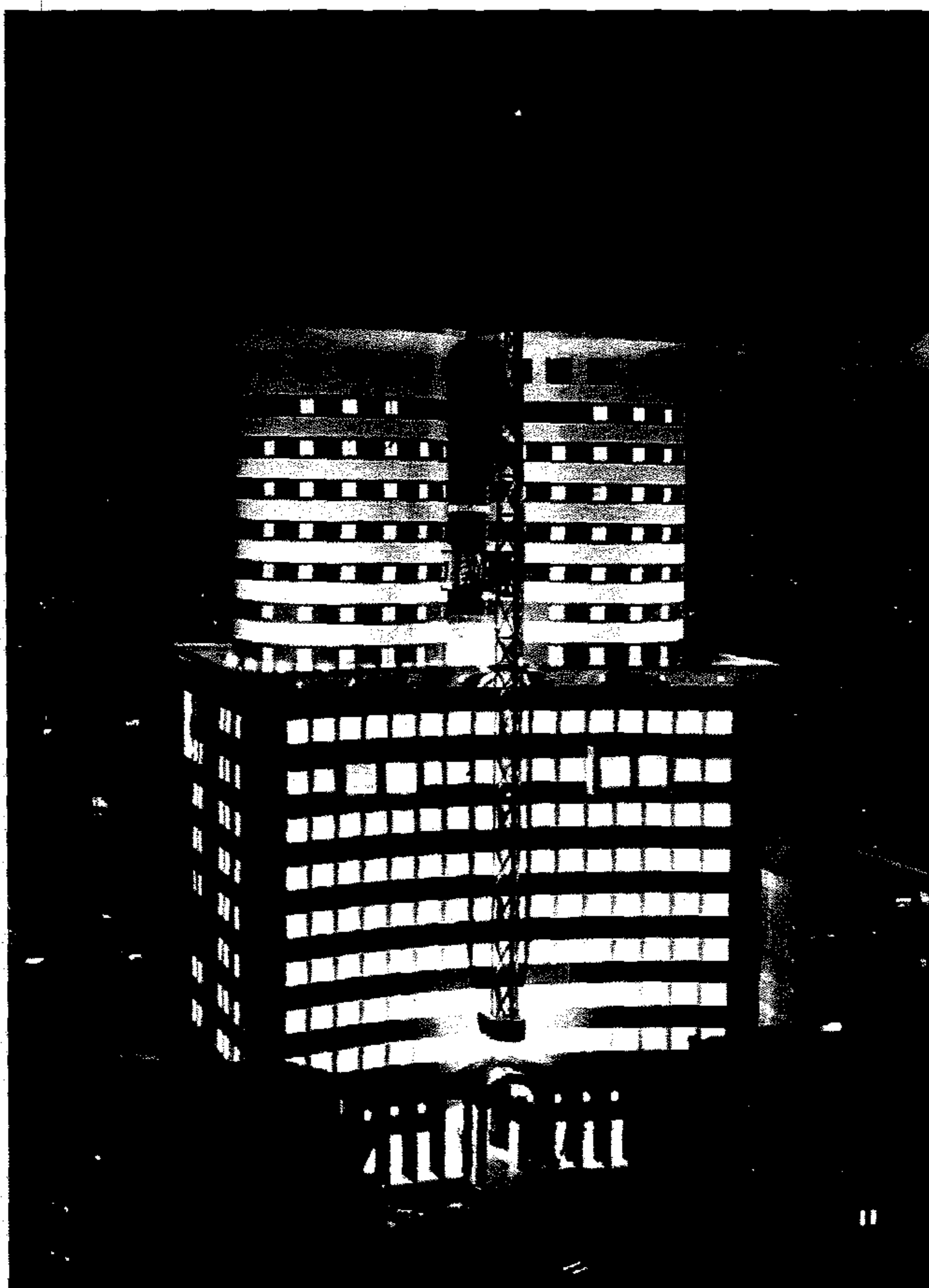
KAMPUNI YA PROPERTY DEVELOPMENT AND MANAGEMENT LIMITED

PDM ilidumisha viwango bora vya makazi kwa zaidi ya asilimia 90, katika sehemu zote mbili; kwenye nyumba za kuishi na za kibiashara.

SHUKRANI

Kwa kumalizia, ningependa kuwashukuru wateja wahisani na wafanyikazi wote ambao kwa ushirikiano na mchango wao katika ufanisi wa biashara hii na pia kuishukuru halmashauri kwa ushauri na maelekezo yao yasiyochosha kwa kipindi cha mwaka mzima.Matokea bora kama haya ni ishara kamili ya ushirikiano kwa utendaji kazi pamoja. Nina imani kwamba, kwa pamoja tutafanya kazi kwa bidii ili tupate matokeo bora mwaka ujao.

W D Kiboro
Afisa Mkuu Mtendaji wa Kampuni



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 wakurugenz

Chairman (Kenyan)	H H O Awori	Mwenyekiti (Mkenya)
Chief Executive/ Managing (Kenyan)	W D Kiboro	Mrasimumkuu/Msimamizi (Mkenya)
(Ugandan)	M J Aliker	(Muganda)
(Kenyan)	A Bekah	(Mkenya)
(French)	D d'Acremont	(Mfaransa)
(Kenyan)	D Aluanga	(Mkenya)
(American)	L Huebner	(Muamerikani)
(British)	J Lee	(Mwingereza)
(Kenyan)	F O Okello	(Mkenya)
(French)	A Poonawala	(Mfaransa)
(Irish)	G M Wilkinson	(Mwa-irish)

Secretary	**J C Kinyua**	**Katibu**
Registered Office	**Nation Centre Kimathi Street P O Box 49010 Nairobi**	**Afisi ilikoandikishwa**
Advocates	**Kaplan & Stratton Queensway House Kaunda Street Nairobi**	**Wakili**
Auditors	**PricewaterhouseCoopers The Rahimtulla Tower Upper Hill Road Nairobi**	**Wakaguzi wa Hesabu**
Bankers	**Standard Chartered Bank of Kenya Limited Stanbank House Moi Avenue Nairobi**	**Benki**

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2003.

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 22.

DIVIDENDS

The directors recommend the payment of a final dividend of 80% on the issued share capital at 31 December 2003, which together with the interim dividend of 20% paid on 31 October 2003 makes a total of 100% in respect of the year ended 31 December 2003.

The directors further recommend the payment of a special dividend of 100% on the issued share capital at 31 December 2003.

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 function under policies approved by the Board of Directors. The Finance function 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 directors who held office during the year and to the date of this report are set out on page 17.

Mr D. d'Acremont, a director who retires in accordance with Article 110, being eligible, offers himself for election.

Mr. H. H. O. Awori, a director who retires in accordance with Article 101 and who has attained the age of 73, shall notwithstanding that fact, be re-elected as a director of the company for a further period of three years.

Dr. M. J. Aliker, a director who retires in accordance with Article 101 and who has attained the age of 74, shall notwithstanding that fact, be re-elected as a director of the company for a further period of three years.

AUDITORS

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

By order of the Board

J C Kinyua
SECRETARY

18 March 2004

Wakurugenzi wana furaha kukutangazia taarifa yao pamoja na taarifa ya kifedha za kampuni hii zilizokaguliwa kwa kipindi kilichomalizika tarehe 31, Desemba mwaka 2003.

SHUGHULI KUU ZA KAMPUNI

Kampuni hii inajishughulisha na Uchapishaji, Usambazaji wa Magazeti pamoja na Utangazaji wa Redio na Runinga.

MATOKEO YA KAMPUNI

Matokeo ya kampuni mwaka huo yamefafanuliwa kamili katika taarifa ya hesabu ya faida na hasara katika ukurasa wa 22.

MGAWO WA FAIDA

Wakurugenzi wanapendekeza ulipaji wa mgawo wa faida wa mwisho wa asilimia 80 unaotokana na hisa zilizotolewa za mtaji kufikia Desemba 31 mwaka 2003 ambao, pamoja na mgawo wa faida wa muda wa asilimia 20 uliolipwa tarehe 31 Oktoba mwaka 2003 unafikisha jumla ya asilimia 100 katika hicho kipindi kilichomalizika tarehe 31 Desemba 2003.

Wakurugenzi wanapendekeza zaidi ya kwamba malipo ya mgawo maalum ya asilimia 100 unaotokana na hisa zilizotolewa za mtaji kufikia tarehe 31 Desemba 2003.

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 kwenye 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 zina zosimamia hatari mbalimbali huendeshwa na idara ya hazina ya kampuni chini ya sera ambazo zimeidhinishwa na Halmashauri ya Wakurugenzi.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, hatari ya mkopo, matumizi ya mbinu ya kuzalisha na kuwekeza fedha za ziada.

Kampuni ina sera ambazo huhakikisha mauzo hufanyiwa wateja walio na historia nzuri za kimikopo.

WAKURUGENZI

Wakurugenzi wote waliotumikia afisi mwaka huo hadi wakati wa kuchapishwa kwa ripoti hii wameorodheshwa kwenye ukurasa wa 17.

Bw. D. d' Acremont, Mkurugenzi ambaye anastaafu kwa mujibu wa kifungu cha 110 za kanuni za kampuni, kwa hali hiyo, amejitolea kuwania ukurugenzi.

Bw. H.H.O. Awori, mkurugenzi ambaye anastaafu kwa mujibu wa kifungu cha 101 na ambaye amefikia umri wa miaka 73, kwa hali hiyo, anaweza kuchaguliwa tena kama Mkurugenzi wa kampuni kwa kipindi cha miaka mitatu.

Bw. M.J Aliker, mkurugenzi ambaye anastaafu kwa mujibu wa kifungu cha 101 na ambaye amefika umri wa miaka 74, kwa hali hiyo, anaweza kuchaguliwa tena kama Mkurugenzi wa kampuni kwa kipindi cha miaka mitatu.

WAKAGUZI WA FEDHA

PricewaterhouseCoopers itaendelea kutekeleza wajibu wa ukaguzi wa fedha kwa mujibu wa kifungu 159(2) cha sheria ya kampuni (sura 486).

Kwa Amri ya Halmashauri

J C Kinyua
KATIBU

Tarehe 18, Machi 2004.

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 twelve months from the date of this statement.

H H O Awori

D Aluanga

18 March 2004

We have audited the financial statements of Nation Media Group Limited for the year ended 31 December 2003 set out on pages 22 to 39.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as set out on page 20. 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.

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 and believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of accounts have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31 December 2003 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. The balance sheet of the company is in agreement with the books of account.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

18 March 2004

Group Profit and Loss Account

for the year ended 31 December, 2003

	Note	2003 Shs m	2002 Shs m
Sales	2	4,469.1	4,103.4
Cost of sales		(924.5)	(962.3)
Gross profit		3,544.6	3,141.1
Distribution costs		(147.8)	(145.3)
Administrative expenses		(654.6)	(648.5)
Other operating expenses		(1,932.0)	(1,771.0)
Operating profit	3	810.2	576.3
Finance income	5	44.2	41.6
Share of results of associates	10	18.2	17.3
Profit before tax		872.6	635.2
Tax	6	(282.6)	(255.9)
Profit before minority interest		590.0	379.3
Minority interest	22	12.8	24.5
Net profit		602.8	403.8
Basic and diluted earnings per share (Shs)	7	11.3	7.5
Dividends:			
Interim dividend – paid in the year	19	53.5	40.1
Proposed final dividend for the year	19	214.0	93.6
Proposed special dividend	19	267.5	-
		535.0	133.7

Balance Sheet

as at 31 December, 2003

	Note	Group 2003 Shs m	Group 2002 Shs m	Company 2003 Shs m	Company 2002 Shs m
CAPITAL EMPLOYED					
Capital and reserves					
Share capital	8	267.5	267.5	267.5	267.5
Revaluation reserve	9	45.1	66.8	68.0	68.0
Retained earnings		1,966.8	1,899.0	1,934.2	1,864.1
Proposed dividends		481.5	93.6	481.5	93.6
Shareholders' funds		2,760.9	2,326.9	2,751.2	2,293.2
Minority interest	22	(10.9)	4.7	-	-
		2,750.0	2,331.6	2,751.2	2,293.2
Non-current liabilities					
Deferred tax	11	33.4	60.3	45.9	60.3
		2,783.4	2,391.9	2,797.1	2,353.5
REPRESENTED BY					
Non-current assets					
Property, plant and equipment	12	1,371.9	1,211.0	1,239.9	1,070.6
Prepaid operating lease rentals	13	58.4	56.4	53.8	54.6
Intangible assets	14	-	24.0	-	-
Investment in associates	10	229.5	224.9	105.9	125.3
Investment in subsidiaries	25	-	-	52.8	77.9
		1,659.8	1,516.3	1,452.4	1,328.4
Current assets					
Inventories	15	274.8	266.1	260.2	233.3
Receivables and prepayments	16	615.0	761.5	615.7	739.3
Cash and cash equivalents	17	1,315.7	1,069.5	1,310.6	1,060.9
Current tax		52.4	-	52.6	-
		2,257.9	2,097.1	2,239.1	2,033.5
Current liabilities					
Payables and accrued expenses	18	1,134.3	1,076.4	894.4	859.8
Borrowings		-	4.3	-	-
Current tax		-	140.8	-	148.6
		1,134.3	1,221.5	894.4	1,008.4
Net current assets		1,123.6	875.6	1,344.7	1,025.1
		2,783.4	2,391.9	2,797.1	2,353.5

The financials statements on pages 22 to 39 were approved for issue by the board of directors on 18th March 2004 and signed on its behalf by

H H O Awori D Aluanga

Group Statement of Changes in Equity

for the year ended 31 December, 2003

	Note	Share capital Shs m	Revaluation reserve Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total Shs m
Year ended 31 December 2002						
At start of year		178.3	65.1	1,718.1	57.0	2,018.5
Issue of shares		89.2	-	(89.2)	-	-
Under provision of deferred tax	11	-	(12.1)	-	-	(12.1)
Share of revaluation reserve		-	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		-	-	(40.1)	-	(40.1)
- proposed final for 2002	19	-	-	(93.6)	93.6	-
At end of year		267.5	66.8	1,899.0	93.6	2,326.9
Year ended 31 December 2003						
At start of year		267.5	66.8	1,899.0	93.6	2,326.9
Currency translation differences	9	-	(21.7)	-	-	(21.7)
Net gains/(losses) not recognised in the profit and loss account		-	(21.7)	-	-	(21.7)
Net profit		-	-	602.8	-	602.8
Dividends						-
- final for 2002 paid		-	-	-	(93.6)	(93.6)
- interim for 2003 paid	19	-	-	(53.5)	-	(53.5)
- proposed final for 2003	19	-	-	(214.0)	214.0	-
- proposed special for 2003	19	-	-	(267.5)	267.5	-
At end of year		267.5	45.1	1,966.8	481.5	2,760.9

Company Statement of Changes in Equity

for the year ended 31 December, 2003

	Note	Share capital Shs m	Revaluation reserve Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total Shs m
Year ended 31 December 2002						
At start of year		178.3	80.1	1,680.8	57.0	1,996.2
Issue of shares		89.2	-	(89.2)	-	-
Under provision of deferred tax	11	-	(12.1)	-	-	(12.1)
Net gains/(losses) not recognised in the profit and loss account		89.2	(12.1)	(89.2)	-	(12.1)
Net profit		-	-	406.2	-	406.2
Dividends						
- final for 2001 paid		-	-	-	(57.0)	(57.0)
-interim for 2002 paid		-	-	(40.1)	-	(40.1)
- proposed final for 2002	19	-	-	(93.6)	93.6	-
At end of year		267.5	68.0	1,864.1	93.6	2,293.2
Year ended 31 December 2003						
At start of year		267.5	68.0	1,864.1	93.6	2,293.2
Net profit		-	-	605.1	-	605.1
Dividends						
- final for 2002 paid		-	-	-	(93.6)	(93.6)
- interim for 2003 paid	19	-	-	(53.5)	-	(53.5)
- proposed final for 2003	19	-	-	(214.0)	214.0	-
- proposed special for 2003	19	-	-	(267.5)	267.5	-
At end of year		267.5	68.0	1,934.2	481.5	2,751.2

Group Cash Flow Statement

for the year ended 31 December, 2003

	Note	2003 Shs m	2002 Shs m
Operating activities			
Cash generated from operations	21	1,295.0	1,191.7
Interest received	5	54.2	49.8
Interest paid	5	(6.5)	(7.1)
Tax paid		(496.3)	(148.0)
Net cash from operating activities		846.4	1,086.4
Investing activities			
Purchase of property, plant and equipment	12	(463.6)	(207.5)
Prepayment of operating lease rentals		(2.8)	-
Proceeds from the sale of property, plant and equipment		18.0	7.0
Proceeds from disposal of leasehold land		-	15.0
Acquisition of subsidiary, net of cash acquired		-	(16.3)
Acquisition of associate		-	(30.7)
Dividends received	10	3.9	3.9
Net cash used in investing activities		(444.5)	(228.6)
Financing activities			
Repayment of borrowings		(4.3)	(6.8)
Dividend paid		(147.1)	(97.1)
Net cash used in financing activities		(151.4)	(103.9)
Increase in cash and cash equivalents		250.5	753.9
Movement in cash and cash equivalents			
At start of year		1,069.5	315.6
Increase		250.5	753.9
Effects of exchange rate changes		(4.3)	-
At end of year	17	1,315.7	1,069.5

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), rounded to the nearest million, 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:

Land and 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/associate 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) 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 obligations

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) 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.

(p) 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.

2 Segmental reporting

	Newspapers		Broadcasting		Group	
	2003 Shs m	2002 Shs m	2003 Shs m	2002 Shs m	2003 Shs m	2002 Shs m
Sales	4,220.2	3,922.0	248.9	181.4	4,469.1	4,103.4
Allocated costs	(3,123.9)	(2,991.1)	(236.9)	(221.6)	(3,360.8)	(3,212.7)
Segment results	1,096.3	930.9	12.0	(40.2)	1,108.3	890.7
Unallocated costs					(298.1)	(314.4)
Operating profit					810.2	576.3
Finance income					44.2	41.6
Share of results of associate					18.2	17.3
Profit before tax					872.6	635.2
Tax					(282.6)	(255.9)
Minority interest					12.8	24.5
Profit after tax					602.8	403.8
Segment assets	3,286.4	3,094.6	401.8	293.9	3,688.2	3,388.5
Investment in associates					229.5	224.9
					3,917.7	3,613.4
Segment liabilities	1,111.6	1,249.7	45.2	36.8	1,156.8	1,286.5
Capital expenditure	321.8	187.9	141.8	25.4	463.6	213.3
Depreciation	223.2	228.6	52.3	49.4	275.5	278.0
Amortisation	24.8	86.3	-	-	24.8	86.3

3 Operating profit

The following items have been charged/ (credited) in arriving at operating profit

Depreciation on property, plant and equipment (note 12)	275.5	278.0
Repairs and maintenance expenditure on property, plant and equipment	37.2	27.1
Amortisation of intangible assets (note 14)	24.0	84.5
Profit on disposal of property, plant and equipment	(7.6)	(2.7)
Operating lease rentals:		
- office buildings	68.3	69.7
- land and buildings (note 13)	0.8	1.8
Trade receivables – impairment charge for bad and doubtful debts	16.4	59.7
Staff costs (note 4)	1,024.0	784.5
Auditors' remuneration	4.9	4.1

4	Staff costs	2003	2002
		Shs m	Shs m
	Salaries and wages	971.6	730.7
	Social security costs	11.8	12.2
	Retirement benefit costs - defined contribution scheme	40.6	41.6
		1,024.0	784.5

	2003	2002
The number of persons employed by the group at the year end was:	Number	Number
Full time	841	657
Part time	272	309
	1,113	966

5	Finance income/(costs)	2003	2002
		Shs m	Shs m
	Interest income	54.2	49.8
	Net foreign exchange loss	(3.5)	(1.1)
	Interest expense	(6.5)	(7.1)
		44.2	41.6

6	Tax		
	Current tax	300.9	308.6
	Deferred tax (Note 11)	(21.9)	(59.5)
	Share of tax on the results of associates (Note 10)	6.4	6.8
	Under provision of current tax in prior year	2.2	-
	Over provision of deferred tax in prior year	(5.0)	-
		282.6	255.9

6 Tax (continued)

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

	2003 Shs m	2002 Shs m
Profit before tax	872.6	635.2
Tax calculated at a tax rate of 30 % (2002: 30%)	261.8	190.6
Tax effect of:		
- income not subject to tax	(1.2)	(0.3)
- expenses not deductible for tax purposes	32.9	39.9
Under provision of current tax in prior year	2.2	-
Over provision of deferred tax in prior year	(5.0)	-
Utilisation of previously unrecognized tax losses	(8.1)	-
Deferred tax asset not recognised	-	25.7
Tax charge	282.6	255.9

7 Earnings per share

	2003	2002
Net profit attributable to shareholders (Shs million)	602.8	403.8
Weighted average number of ordinary shares in issue (million)	53.5	53.5
Basic earnings per share (Shs)	11.3	7.5

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

8 Share capital

	Number of shares (million)	Ordinary shares Shs m
Authorised	60	300
Issued and fully paid		
At 1 January and 31 December 2003	53.5	267.5

9 Revaluation reserve

The movement in revaluation reserves is as follows:

	Land and buildings Shs m	Associate company Shs m	Currency translation Shs. m	Total Shs m
Group				
At start of year	54.3	13.8	(1.3)	66.8
Currency translation differences	-	-	(21.7)	(21.7)
At end of year	54.3	13.8	(23.0)	45.1

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

Revaluation reserves are non-distributable.

10 Investment in associates

	Group 2003 Shs m	Group 2002 Shs m
At start of year	224.9	193.2
Acquisition	-	11.3
Share of results before tax	18.2	17.3
Share of tax	(6.4)	(6.8)
	11.8	10.5
Dividends received	(3.9)	(3.9)
Share of revaluation surplus	-	13.8
Currency translation differences	(3.3)	-
	229.5	224.9

Investments in associates are carried in the company's balance at cost less amortisation of goodwill arising on acquisition. The principal associates, both of which are unlisted, are:

	Country of incorporation	% interest held
Property Development and Management Limited	Kenya	20%
Radio Uhuru Limited	Tanzania	49%

There were no changes in the interest held in the associates during the year.

11 Deferred tax

	Group		Company	
	2003 Shs m	2002 Shs m	2003 Shs m	2002 Shs m
At start of year	60.3	107.7	60.3	108.7
Credit to the profit and loss account (Note 6)	(21.9)	(59.5)	(9.5)	(60.5)
(Over) /under provision tax in prior years (Note 6)	(5.0)	12.1	(4.9)	12.1
At end of year	33.4	60.3	45.9	60.3

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

Group	**1.1.03 Shs m**	**Charged / (credited) P & L Shs m**	**31.12.03 Shs m**
Deferred tax liabilities			
Property, plant and equipment			
-historical cost	80.2	10.7	90.9
-revaluation surplus	17.4	1.9	19.3
	97.6	12.6	110.2
Deferred tax assets			
Provisions	(37.3)	(48.1)	(85.4)
Tax losses carried forward	(25.7)	7.0	(18.7)
	34.6	(28.5)	6.1
Deferred tax asset not recognised	25.7	1.6	27.3
Net deferred tax liability	**60.3**	**(26.9)**	**33.4**

Company			
Deferred tax liabilities			
Property, plant and equipment			
- historical cost	80.2	4.5	84.7
- revaluation surplus	17.4	2.6	20.0
	97.6	7.1	104.7
Deferred tax assets			
Provisions	(37.3)	(21.5)	(58.8)
Net deferred tax liability	60.3	(14.4)	45.9

12 Property, plant and equipment

	Freehold land Shs m	Buildings Leasehold Shs m	Plant and equipment Shs. m	Total Shs m
Group				
Cost or valuation				
At start of year	14.0	234.1	2,140.9	2,389.0
Additions	1.8	-	461.8	463.6
Currency translation differences	-	-	(24.6)	(24.6)
Disposals	-	-	(38.7)	(38.7)
At end of year	15.8	234.1	2,539.4	2,789.3
Depreciation				
At start of year	0.6	32.7	1,144.7	1,178.0
Charge for the year	0.3	4.4	270.8	275.5
Currency translation differences	-	-	(7.7)	(7.7)
Disposals	-	-	(28.4)	(28.4)
At end of year	0.9	37.1	1,379.4	1,417.4
Net book amount				
At 31 December 2003	14.9	197.0	1,160.0	1,371.9
At 31 December 2002	13.4	201.4	996.2	1,211.0
Company				
Cost or valuation				
At start of year	8.1	195.0	1,975.9	2,179.0
Additions	1.8	-	408.1	409.9
Disposals	-	-	(18.7)	(18.7)
At end of year	9.9	195.0	2,365.3	2,570.2
Depreciation				
At start of year	0.7	32.0	1,075.7	1,108.4
Charge for the year	0.3	4.4	235.2	239.9
Disposals	-	-	(18.0)	(18.0)
At end of year	1.0	36.4	1,292.9	1,330.3
Net book amount				
At 31 December 2003	8.9	158.6	1,072.4	1,239.9
At 31 December 2002	7.4	163.0	900.2	1,070.6

12 Property, plant and equipment (continued)

Freehold land and buildings were revalued at 31 December 2000 by independent professional valuers. The basis for the valuation was open market value. The book values of the properties were adjusted to the revalued amounts and the resulting surplus, net of deferred tax, was credited to the revaluation reserve in shareholders' equity.

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

	Group		Company	
	2003 Shs m	**2002 Shs m**	**2003 Shs m**	**2002 Shs m**
Cost	158.0	156.2	133.1	131.3
Accumulated depreciation	(24.4)	(19.7)	(23.9)	(19.2)
Net book amount	133.6	136.5	109.2	112.1

In the opinion of the directors there is no impairment of property, plant and equipment.

13 Prepaid operating lease rentals

	Group		Company	
	2003 Shs m	**2002 Shs m**	**2003 Shs m**	**2002 Shs m**
At start of year	56.4	73.2	54.6	71.4
Additions	2.8	-	-	-
Disposal in the year	-	(15.0)	-	(15.0)
Amortisation charge for the year	(0.8)	(1.8)	(0.8)	(1.8)
At end of year	58.4	56.4	53.8	54.6

14 Intangible assets

Intangible assets comprise goodwill arising on acquisition of associates and subsidiaries. The movement in intangible assets during the year is as follows:

	Goodwill Shs m
Group	
Cost	
At start of year	24.0
Amortisation in the year	(24.0)
At end of year	-

15 Inventories

	Group		Company	
	2003	**2002**	**2003**	**2002**
	Shs m	**Shs m**	**Shs m**	**Shs m**
Raw materials at cost	208.2	179.3	197.0	169.9
Engineering spares at cost	55.1	41.5	53.8	28.8
Other stock at cost	11.5	45.3	9.4	34.6
	274.8	266.1	260.2	233.3

16 Receivables and prepayments

	Group		Company	
	2003	***2002***	***2003***	***2002***
	Shs m	**Shs m**	**Shs m**	**Shs m**
Trade receivables	584.5	650.2	482.1	476.7
Less: *provision for impairment*	*(228.0)*	*(359.0)*	*(204.7)*	*(258.1)*
	356.5	291.2	277.4	218.6
Other receivables and prepayments	258.5	470.3	338.3	520.7
	615.0	761.5	615.7	739.3

17 Cash and cash equivalents

	Group		Company	
	2003	**2002**	**2003**	**2002**
	Shs m	**Shs m**	**Shs m**	**Shs m**
Cash at bank and in hand	156.1	267.4	151.0	259.6
Short term bank deposits	1,159.6	802.1	1,159.6	801.3
	1,315.7	1,069.5	1,310.6	1,060.9

The weighted average effective interest rate on the bank deposits at the year- end was 1.8% (2002:6.1%).

18 Payables and accrued expenses

	Group		Company	
	2003	**2002**	**2003**	**2002**
	Shs m	**Shs m**	**Shs m**	**Shs m**
Trade payables	386.1	322.5	309.8	232.4
Accured expenses	472.8	483.3	486.2	472.8
Other payables	275.4	270.6	98.4	154.6
	1,134.3	1,076.4	894.4	859.8

19 Dividends per share

At the annual general meeting to be held on 27 May 2004, a final dividend in respect of the year ended 31 December 2003 of Shs.4.0 per share amounting to Shs.214.0 million will be proposed together with a special dividend of Shs.5.00 per share amounting to Shs.267.5 million. During the year, an interim dividend of Shs.1.0 per share, amounting to Shs.53.5 million was paid. The total dividend for the year is, therefore, Shs.10.0 per share (2002: Shs.2.5), amounting to Shs. 535.0 million (2002: Shs.133.7 million).

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

20 Commitments

Capital expenditure

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

	Group	
	2003 **Shs m**	**2002** **Shs m**
Contracted for but not provided for	-	9.3

Operating leases

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

	Group	
	2003 **Shs m**	**2002** **Shs m**
Not later than 1 year	66.6	69.7
Later than 1 year and not later than 5 years	279.7	305.5
	346.3	375.2

21 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations

Profit before tax	872.6	635.2
Adjustments for:		
Depreciation on property, plant and equipment (Note 12)	275.5	278.0
Amortisation of prepaid operating lease rentals (Note 13)	0.8	1.8
Profit on sale of property, plant and equipment	(7.7)	(2.7)
Interest income (Note 5)	(54.2)	(49.8)
Interest expense (Note 5)	6.5	7.1
Amortisation of intangible assets (Note 14)	24.0	84.5
Share of result before tax of associate (Note 10)	(18.2)	(17.3)
Changes in working capital		
- inventories	(8.7)	9.4
- receivables and prepayments	146.5	(128.4)
- payables and accrued expenses	57.9	373.9
Cash generated from operations	1,295.0	1,191.7

22 Minority interest

	Group 2003	Group 2002
At start of year	4.7	20.9
Acquisition of subsidiary	-	8.3
Share of results for the year	(12.8)	(24.5)
Currency translation differences	(2.8)	-
	(10.9)	4.7

23 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.

24 Related party transactions

There are a number of companies that are related to Nation Media Group through common shareholding or common directorships. Transactions with related parties are carried out at normal commercial terms and conditions.

The following transactions were carried out with related parties

		2003 Shs m	2002 Shs m
(i)	Purchases from related parties	68.3	69.7
(ii)	**Loans to executive directors**		
	At start of year	23.5	13.5
	Loans advanced during the year	-	17.9
	Loans repaid during the year	(11.4)	(7.9)
	At end of year	12.1	23.5

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

(iii)	**Directors' remuneration**	2003 Shs m	2002 Shs m
	Fees	7.8	7.0
	Other	42.6	51.1
		50.4	58.1

25 Subsidiary companies	**Country of incorporation**	**Holding %**
Active subsidiary companies		
Nation Marketing & Publishing Limited	Kenya	100.0
Monitor Publications Limited	Uganda	60.0
Mwananchi Communications Limited	Tanzania	60.0
Nation Carriers Uganda Limited	Uganda	100.0

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

Five Year Financial Summary

	2003	2002	2001	2000	1999
	Shs m	Shs m	Shs m	Shs m	Shs m
Results					
Turnover	4,469.1	4,103.4	3,538.8	3,022.6	2,450.5
Profit before tax	872.6	635.2	390.2	296.1	340.0
Profit attributable to shareholders	602.8	403.8	256.7	203.1	247.6
Net assets					
Fixed assets	1,659.8	1,516.3	1,631.9	1,755.4	1,722.7
Net current assets	1,123.6	875.6	519.0	476.1	238.9
Non-current liabilities	(33.4)	(60.3)	(111.5)	(323.6)	(151.6)
Minority interests	*10.9*	*(4.7)*	*(20.9)*	*(17.3)*	*(2.9)*
Shareholders' funds	2,760.9	2,326.9	2,018.5	1,890.6	1,807.1
Profit before tax					
as a percentage of turnover(%)	*19.53*	*15.48*	*11.03*	*9.80*	*13.87*
Earnings per share (Shs)*	11.27	7.55	4.80	3.80	4.63
Dividends per share (Shs)*	5.00	2.50	1.56	1.17	1.17
Dividend cover (times)	2.26	3.02	3.07	3.25	3.97

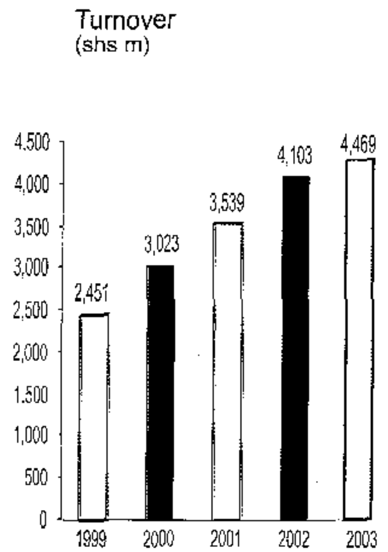
*Adjusted for bonus issues and specified dividend

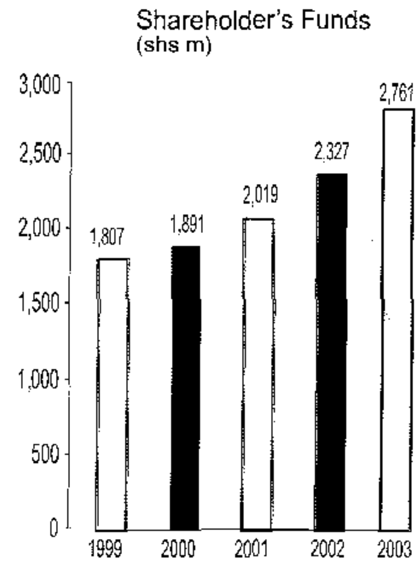
Taarifa Fupi ya Kifedha ya Miaka Tano

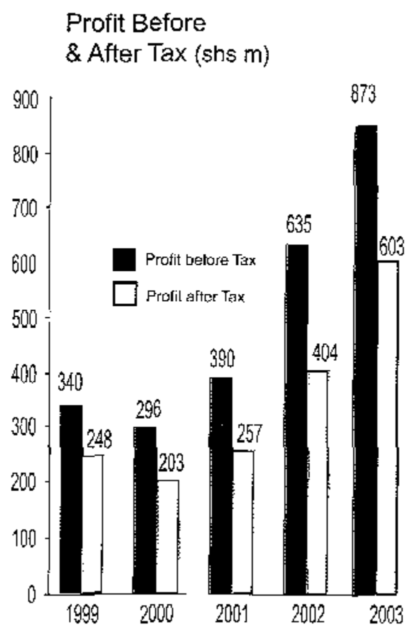
Matokeo					
Jumla ya mapato	4,469.1	4,103.4	3,538.8	3,022.6	2,450.5
Faida kabla ya kodi	872.6	635.2	390.2	296.1	340.0
Faida kwa wenyehisa	602.8	403.8	256.7	203.1	247.6
Mali halisi					
Mali thabiti	1,659.8	1,516.3	1,631.9	1,755.4	1,722.7
Mali halisi za sasa	1,123.6	875.6	519.0	476.1	238.9
Madeni ya muda mrefu	(33.4)	(60.3)	(111.5)	(323.6)	(151.6)
Wenyehisa wachache	10.9	(4.7)	(20.9)	(17.3)	(2.9)
Malipo ya wenyehisa	*2,760.9*	*2,326.9*	*2,018.5*	*1,890.6*	*1,807.1*
Faida kabla ya kodi					
Kama asilimia ya mapato	19.53	15.48	11.03	9.80	13.87
Mapato kwa kila hisa (Shilingi)*	11.27	7.55	4.80	3.80	4.63
Migawo kwa kila hisa (Shilingi)*	5.00	2.50	1.56	1.17	1.17
Malipo ya hisa (mara)	2.26	3.02	3.07	3.25	3.97

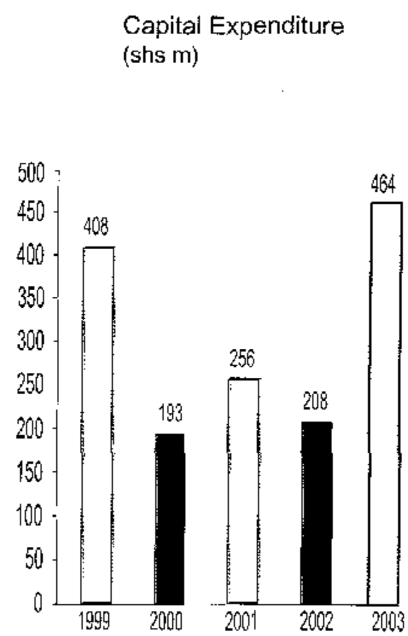
*Badiliko kuhusu hisa za bonasi na mgawo maalum

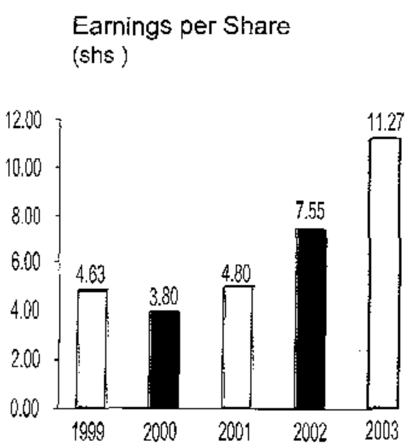
Five Year Performance Statistics

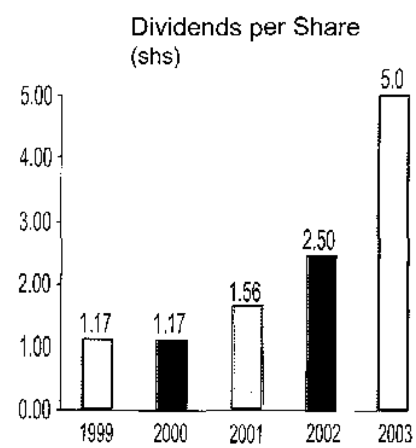












Principal Shareholders of the Company and their respective Shareholding

at 31 December 2003

No.	Name of shareholder	no. of shares held	%
1.	The Aga Khan Fund for Economic Development (AKFED)	23,919,984	44.73
2.	Mr. Amin Nanji Juma	4,367,523	8.17
3.	Old Mutual Life Assurance Co. Limited	1,051,220	1.97
4.	Nima Investments Limited	980,037	1.83
5.	Barclays (K) Nominees Limited A/C 1256	895,216	1.67
6.	Barclays (K) Nominees Limited A/C 1853	660,717	1.24
7.	Barclays (K) Nominees Limited A/C 9098AP	350,000	0.65
8.	Stanbic Nominees Kenya Limited A/C SCKPF	290,499	0.54
9.	Barclays (K) Nominees Limited A/C 9098AC	252,313	0.47
10.	Kenya Commercial Bank Nominees Limited A/C "E"	250,000	0.47

Distribution of Shareholding

at 31 December 2003

Shareholding (No. of shares)	No. of shareholders	No. of shares held	% of shareholding.
1 - 1000	3,751	1,688,542	3.16
1,001 - 5,000	2,821	5,331,213	9.97
5,001 - 10,000	583	3,907,749	7.31
10,001 - 50,000	183	3,819,863	7.14
50,001 - 100,000	29	2,061,760	3.86
Over 100,000	32	36,669,818	68.56
	7,399	**53,478,945**	**100.00**

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 27 May 2004 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 GPONairobi, 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 nakwa niaba yangu/yetu kwenye mkutano wa kila mwaka wa kampuni utakaofanywa mnamo Mei 27, 2004, 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.*