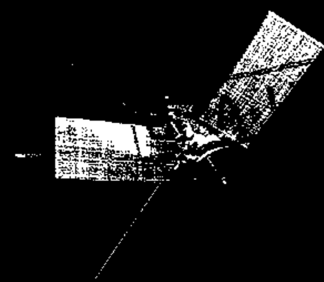
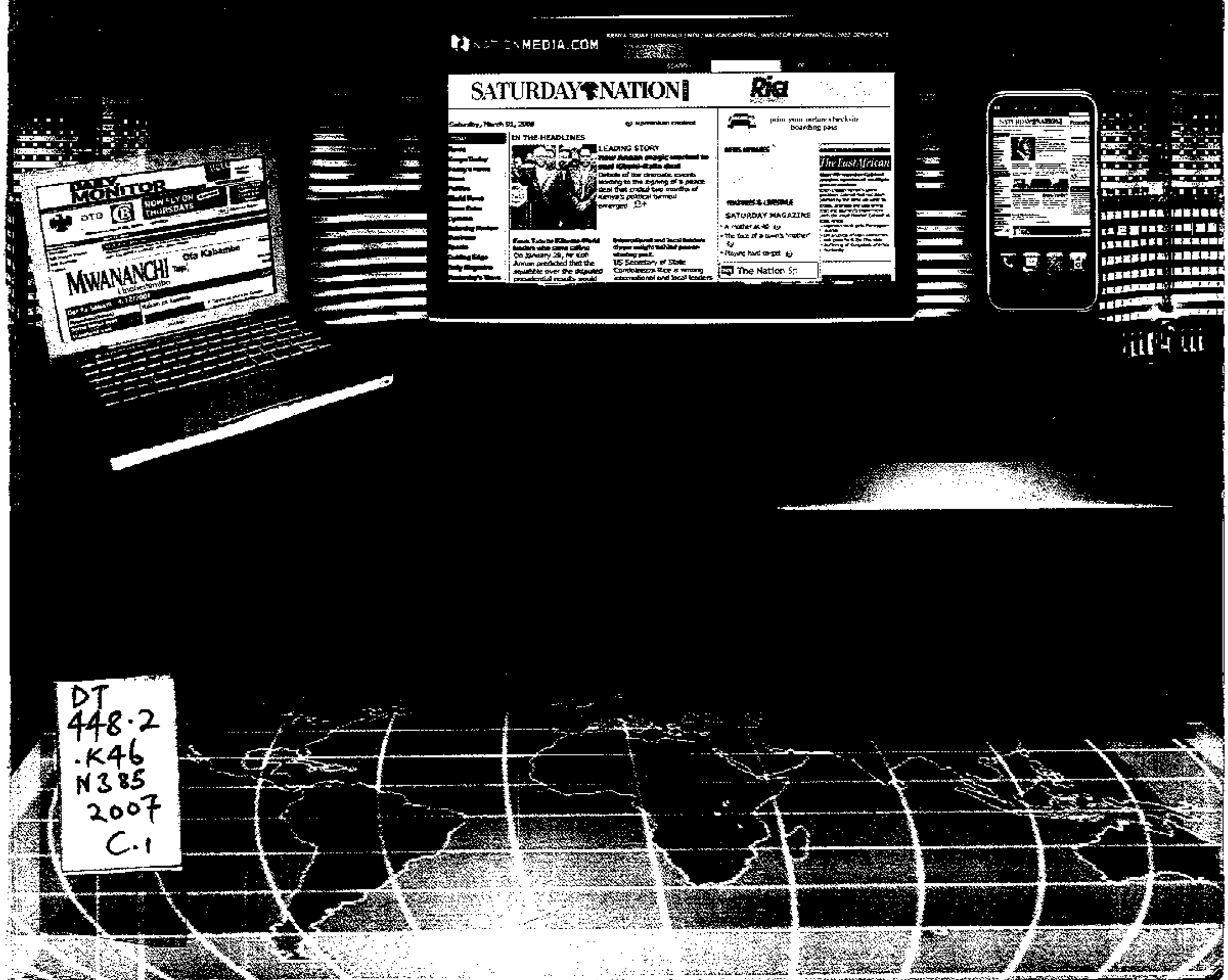
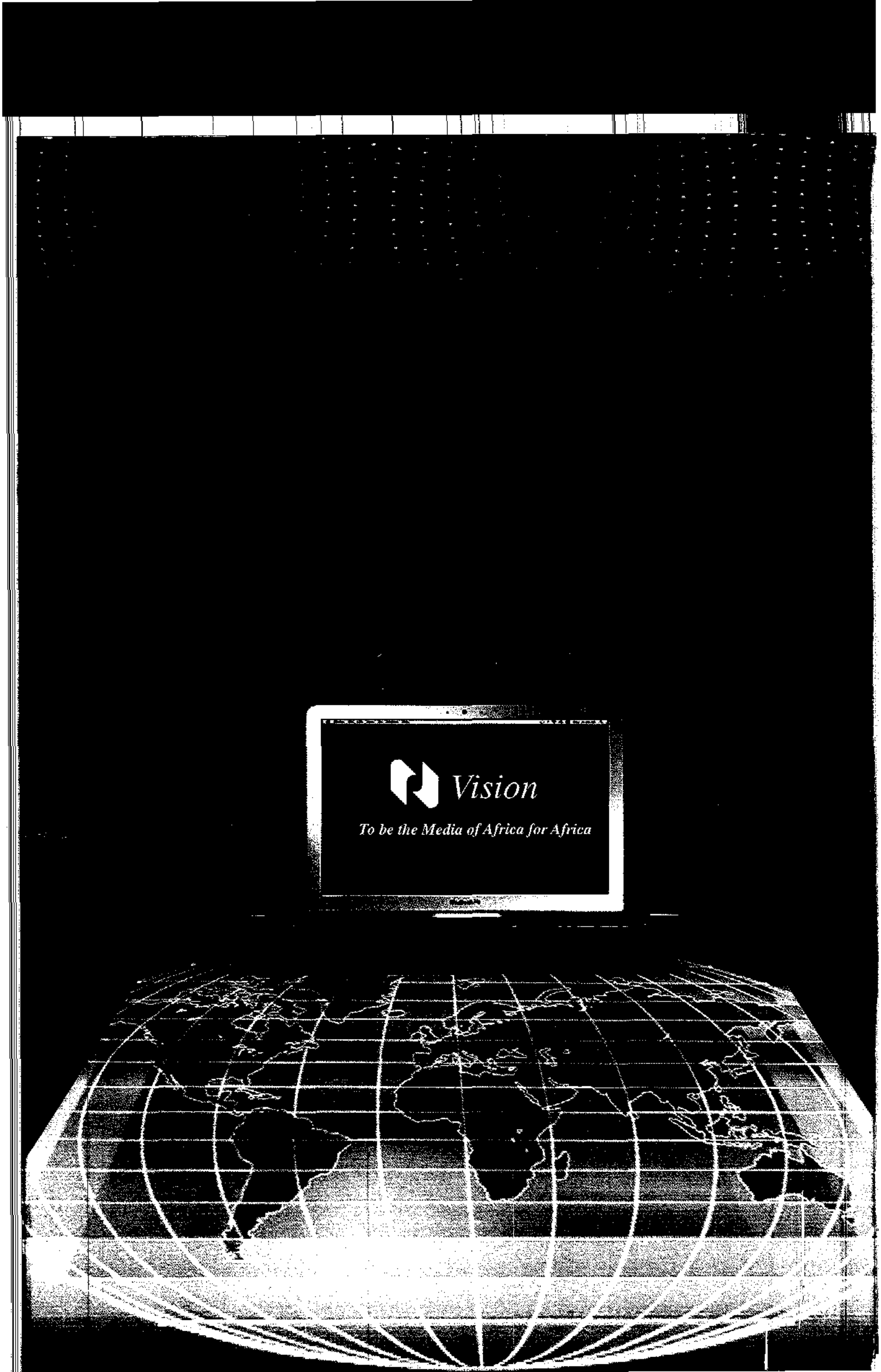


Nation Media Group Limited




Vision
To be the Media of Africa for Africa

Contents / Yaliyomo

Notice of Annual General Meeting

Notice is hereby given that the Forty Fifth Annual General Meeting of the Shareholders of Nation Media Group Limited will be held at the Tsavo Ballroom, Kenyatta International Conference Centre on Thursday 29th May 2008 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1 To receive the financial statements for the year ended 31st December 2007 and the chairman's, directors' and auditors' reports thereon.

2 To confirm the payment of the interim dividend of Kshs.3.00 per share (60%) and to approve the payment of a final dividend of Kshs.7.50 per share (150%) on the ordinary share capital in respect of the year ended 31st December 2007.

3 The directors recommend, in accordance with Article 59 (b) of the Company's Articles of Association, that the authorised share capital of the company comprising of 120,000,000 ordinary shares of Kshs.5.00 each, shall be sub-divided 2:1 into 240,000,000 ordinary shares of Kshs.2.50 each, all ranking *pari passu* in all respects.

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

5 To elect and re-elect the following directors:

In accordance with Article 96 of the Company's Articles of Association, Ms V Unwin a director appointed on 1st June 2007 and Mr S Gitagama a director appointed on 13th March 2008, both retire and being eligible, offer themselves for election.

In accordance with Article 110 of the Company's Articles of Association, Mr F O Okello and Mr J Lee, retire by rotation and being eligible, offer themselves for re-election.

SPECIAL BUSINESS

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

6 "That Dr M J Aliker, a director who retires in accordance with Article 101 of the Company's Articles of Association and who is over the age of 70 years, shall not withstanding that fact, be re-elected as a director of the Company for a further period of one year."

7 "That subject to the approval of the Capital Markets Authority, the Directors be and are authorised to establish the Nation Media Group Limited Employee Share Ownership Scheme and to approve and to register the Trust Deed and Rules establishing the Employee Share Ownership Scheme and to appoint and remove the Trustees of the Employee Share Ownership Scheme."

8 "That subject to the approval of the Capital Markets Authority, the Nairobi Stock Exchange and the Kenya Revenue Authority, the Directors be and are authorised to allot from the unissued shares in the authorised share capital of the company 4,000,000 ordinary shares of Kshs.2.50 each at the par value of the shares, to the Trustees of the Employee Share Ownership Scheme to be held in trust for the benefit of the employees of the company. That the shares allotted to the Employee Share Ownership Scheme shall rank pari passu with the existing issued ordinary shares of the company, but shall not qualify for the payment of the final dividend for the year 2007 declared by this meeting."

By order of the Board
J C Kinyua
Secretary

13 March 2008

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

Tangazo linatolewa hapa kuwa Mkutano Mkuu wa Arobaini na tano wa kila Mwaka kwa wenyehisa wa kampuni ya Nation Media Group utafanywa kwenye ukumbi wa Tsavo Ballroom katika jumba la Kenyatta International Conference Centre, siku ya Alhamisi Mei 29, 2008, saa nane alasiri kwa madhumuni yafuatayo:

SHUGHULI ZA KAWAIDA

1. Kupokea taarifa ya hesabu ya mwaka uliomalizika Desemba 31, 2007, pamoja na taarifa za mwenyekiti, wakurugenzi na wakaguzi wa hesabu.

2. Kuhakikisha malipo ya mgawo wa muda wa shilingi 3.00 kwa kila hisa (asilimia 60) na kuthibitisha malipo ya mgawo wa mwisho wa shilingi 7.50 kwa kila hisa (asilimia 150) kwa hisa ya mtaji wa kawaida kwa kuzingatia mwaka uliomalizika Desemba 31, 2007.

3. Wakurugenzi wanapendekeza, kulingana na kifungu cha 59 (b) cha Kanuni za Msingi za Ushirikiano wa kampuni, kuwa hisa za mtaji za kampuni zilizoruhusiwa zinahusisha hisa 120,000,000 za kawaida za shilingi 5.00 kila hisa itagawanywa katika uwiano wa 2 kwa 1 kwenye hisa 240,000,000 za kawaida za shilingi 2.50 kila hisa, viwango vyote vitalingania sawasawa.

4. Kuwaruhusu wakurugenzi waamue malipo ya wakaguzi wa mahesabu ya kifedha, PricewaterhouseCoopers.

5. Kuwachagua na kuwateua tena wakurugenzi wafuatao:

   Kulingana na Kifungu cha 96 cha Kanuni za Msingi za Ushirikiano wa Kampuni, Bi V Unwin mkurugenzi aliyeteuliwa Juni,1 2007 na Bwana S Gitagama mkurugenzi aliyeteuliwa Machi 13 2008, wote wanastaafu na kwa kuwa wanahitimu, wanajitolea kwa uchaguzi.

   Kulingana na Kifungu cha 110 cha Kanuni za Msingi wa Ushirikiano wa Kampuni, Bwana F O Okello na Bwana J Lee, wanastaafu kwa zamu, na kwa kuwa wanahitimu, wanajitolea kuchaguliwa tena.

SHUGHULI MAALUM

Kwa kuzingatia na ukiwafikia vyema uamuzi ufuatao kama uamuzi maalum:

6. "Kwamba Dkt M J Aliker, mkurugenzi ambaye anastaafu kuambatana na kifungu cha 101 cha kanuni Msingi za Ushirikiano wa Kampuni, na ambaye amezidisha umri wa miaka 70, licha ya maelezo hayo, ataweza kuchaguliwa tena kama Mkurugenzi wa kampuni kwa kipindi cha mwaka mmoja ujao".

7. "Kutokana na kwamba tumethibitishwa na Mamlaka ya Soko la Mtaji, Wakurugenzi wanaweza na wanaruhusiwa kuanzisha Mradi wa Kumiliki Hisa za Wafanyikazi wa Nation Media Group na kuthibitisha na kusajili hati ya kuhamishia mali kwa mdhamini na taratibu za kuimarisha Mradi wa Kumiliki Hisa za Wafanyikazi na kuteuwa na kuondoa Wadhamini wa Mradi wa Kumiliki Hisa za Wafanyikazi".

8. "Kutokana na kwamba tumethibitishwa na Mamlaka ya Soko la Mtaji, Soko la Ubadilishanaji Hisa na Mamlka ya Ushuru Kenya, Wakurugenzi wanaweza na wanaruhusiwa kutenga kutoka kwenye hisa zile ambazo hazijatolewa kwenye hisa zilizoruhusiwa za mtaji wa Kampuni wa hisa 4,000,000 za kawaida za shilingi 2.50 kwa kila hisa kwa bei yake, kwa wadhamini wa Mradi wa Umiliki wa Hisa za Wafanyikazi utakaofanywa kudhamini ili kuwafaidisha wafanyikazi wa kampuni. Kwamba zile hisa zilizotengwa kwenye Mradi wa Umiliki wa Hisa za Wafanyikazi zitaambatanishwa sawasawa na hisa zilizoko za kawaida zilizotolewa za kampuni, lakini hazitakuwa na uwezo wa kupata malipo ya mgawo wa mwisho wa mwaka wa 2007 uliotangazwa kwenye huu mkutano.

Kwa amri ya Halmashauri
J. C. Kinyua
Katibu

Machi 13, 2008

Maelezo: Mwanachama mwenye haki ya kuhudhuria na kupiga kura katika mkutano mkuu, anaweza kumteua mwakilishi wake kuhudhuria mkutano na kupiga kura kwa niaba yake. Mwakilishi huyo si lazima awe mwanachama wa kampuni. Ili kukubaliwa, fomu ya wakala ni lazima iwasilishwe katika afisi iliyosajiliwa ya Kampuni sio chini ya muda wa saa 48 kabla ya saa ya kuanza kwa mkutano iliotangazwa.

Annual Highlights 2007

Group turnover increases by Shs.1.3 billion (21%) to Shs.7.7 billion

Profit before tax increases by 39% to Shs.1.6 billion

Profit attributable to shareholders increases by 39% to Shs.1.1 billion

Nation Broadcasting turnover increases by 32%

Proposed ordinary dividend for the year increases by 50%

Establishment of a Nation Digital division

Matukio Muhimu ya 2007

Mapato ya kampuni yaliongezeka kwa shilingi bilioni 1.3 (asilimia 21) hadi shilingi bilioni 7.7

Faida ya kibiashara kabla ya ushuru iliongezeka kwa asilimia 39 hadi shilingi bilioni 1.6

Faida inayostahili wenye hisa iliongezeka kwa asilimia 39 hadi shilingi bilioni 1.1

Mapato ya Nation Broadcasting yaliongezeka kwa asilimia 32

Mgawo wa kawaida wa mwaka uliopendekezwa, uliongezeka kwa asilimia 50

Kitengo cha Nation Digital chazinduliwa

The role of the Board is to determine the Group'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.

Your Board is committed to ensuring that the Group adheres to the highest standards of corporate governance and has the following Board Committees:-

1. Nominations Committee, which is responsible for executive and non-executive board appointments. Mr G M Wilkinson chairs the committee which has Mr W D Kiboro, Mr A Poonawala, Mr L Huebner and Mr L W Gitahi as members.

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, liase with the external auditors and to review and recommend to the board the approval of interim results and annual financial statements. Mr J Lee chairs the committee which has Mr A Poonawala, Mr A Mufuruki and Dr M J Aliker as members.

3. Strategic Planning Committee, which reviews the Group's medium and long term strategic aims and direction. Prof. L Huebner chairs the committee which has Mr J Lee, Mr G M Wilkinson, Dr M J Aliker, Mr W D Kiboro and Mr L W Gitahi as members.

4. Editorial Committee, which considers and advises on the Group editorial policy and guidelines, the journalistic code of ethics and legal responsibilities. Mr F O Okello chairs the committee which has Mr A Bekah, Mr L W Gitahi and Ms V Unwin as members.

5. Remuneration Committee, is charged with the responsibility of considering the human resource policies and recommending non executive directors and senior executives remuneration to the Board. Mr A Mufuruki chairs the committee which has Mr J Lee, Mr F O Okello, Mr A Bekah and Ms V Unwin as members.

There is a clearly defined organisational structure within which individual responsibilities are identified in relation to internal financial controls. The structure is complemented by documented policies and management operates the business in compliance with these policies.

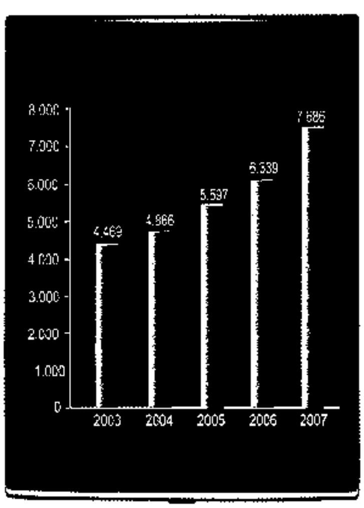
The Group Chief Executive chairs the Executive Team which comprises the executive directors and other senior executives of the company. The team deals with operational matters and co-ordinates activities across the Group's various subsidiary companies and divisions.

Dr M J Aliker
CHAIRMAN

It is my pleasure to present to you my maiden Group annual report and financial statements for the year ended 31 December, 2007. The business environment was stable with most sectors of the economy including financial services, tourism, agriculture and telecommunications once again performing well. This resulted in an overall average GDP growth of 7%.

Despite the General Elections being held in Kenya in 2007, I am gratified to report that we acquitted ourselves very well and discharged our mandate of reporting events in the region in a balanced, accurate and objective manner. Our staff did a tremendous job in meeting the challenges and surpassing their targets, for which I highly commend them.

Turnover (shs m)



The period under review was exceptionally good for the Group because of the strong recovery of the economy and the appreciation of the Kenya shilling against major world currencies. These factors led to improved revenues and lower costs especially of materials sourced in foreign currency.

2007 RESULTS

Turnover in 2007 grew by 21% to Kshs.7.7 billion, while profit before tax grew by 39% to Kshs.1. 6 billion, over the previous year.

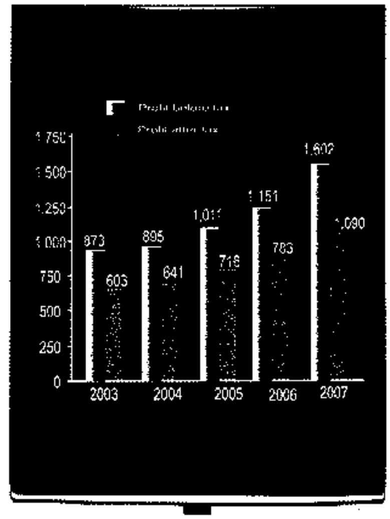
Group profit attributable to shareholders grew by 39% to Kshs.1,089.6 million.

All the Group's divisions and subsidiary companies recorded improved results over the previous year. However, the results were partially offset by start up costs of new products launched during the year, namely the *Business Daily* and the *Daily Metro*. Both these papers have established a strong presence and carved a niche in the market.

DIVIDENDS

An interim dividend of Kshs.3.00 (60%) per share was paid in September 2007, but considering the exceptional performance of the Group, your board of directors recommends the payment of a final dividend of Kshs.7.50 (150%) per share. The total dividend per share for the year 2007 at Kshs.10.50 (210%) represents an increase of 50% over the amount paid for the previous year, excluding the special dividend of Shs.5.00 per share paid in 2006.

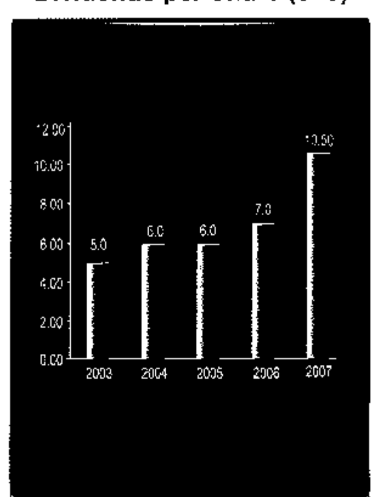
Profit before & after tax (shs m)



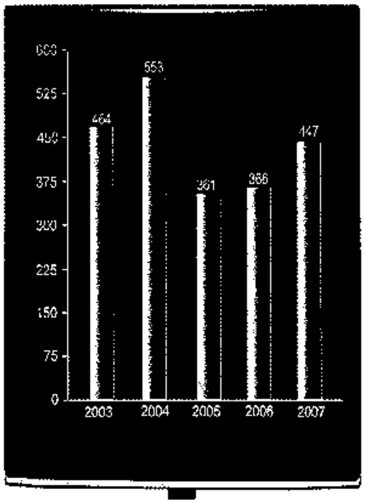
FUTURE BUSINESS AND STRATEGY

The Group continues to study market trends and identify gaps where they exist. In line with this strategy, a gap has been identified in the digital business. Your board has, therefore, sanctioned that an independent division dealing with the digital media business should be established.

Dividends per Share (shs)



Capital Expenditure (shs m)

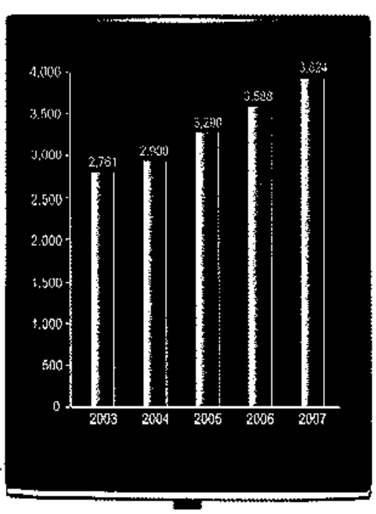


The division will be responsible for the formulation and implementation of the Group's digital plan. The board hopes that this will give the business the required focus and become a key source of revenue in future.

CONFIDENCE IN A BRIGHT FUTURE

There was a slow start to the year in Kenya due to the post-election crisis, but business prospects have improved greatly following the signing of a peace accord in late February 2008.

Shareholders' Fund (shs m)



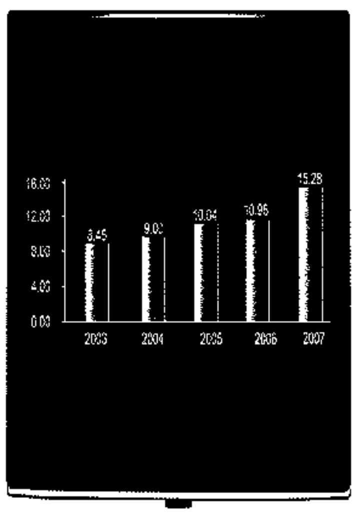
In Uganda and Tanzania, the good economic start to the year has continued and business prospects look very promising. Monitor Publications Limited is going from strength to strength and NTV (U) has fully recovered from its closure early last year, after we constructively engaged the government on matters of the freedom of the press.

In Tanzania, Mwananchi Communications Limited is finally turning around and its prospects look highly promising.

THE BOARD AND MANAGEMENT

During the year, Mr. H H Awori, our long serving Chairman retired.

Earnings per Share (shs)



Mr. D Aluanga, who served as the Chief Operating Officer and Mr. D d'Acremont, another long serving director also resigned from the board.

I would like to take this opportunity to sincerely thank Mr. Awori, Mr. Aluanga and Mr. d'Acremont for the dedication with which they have served the Group.

Ms. V Unwin and Mr. S Gitagama joined the board as non-executive and executive directors respectively. Please join me in welcoming them to the board.

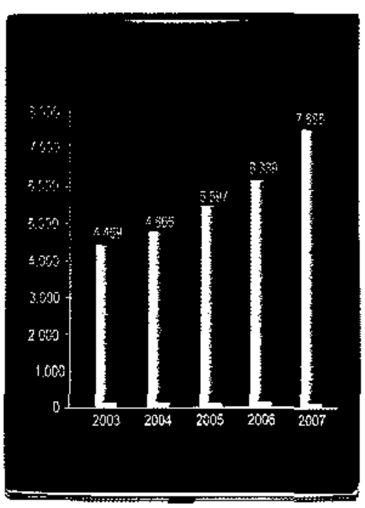
Finally, I would like to express my sincere gratitude to all board members for their continued dedication to the Group. In particular, my sincere thanks go to Mr. L W Gitahi who has just concluded his first full year in office for settling in fast and steering the Group through a very successful year.

Dr M J Aliker
Chairman

Dkt. M J Aliker
Mwenyekiti

Ninafuraha kubwa isiyo na kifani kuwasilisha ripoti ya mwaka ya kampuni hii na taarifa ya fedha ya mwaka uliomalizika Desemba 31 2007. Mazingira ya kibiashara hayakuathirika sana huku sekta nyingi za kiuchumi kama vile huduma za kifedha, utalii, kilimo na mawasiliano zikifanya vyema. Hali hii ilisababisha matokeo mazuri ya jumla (GDP) kwa kiwango cha asilimia 7.

Mapato (shilingi m)



Mwaka uliopita ulikuwa na changamoto kwa sababu ya Uchaguzi Mkuu uliofanyika humu nchini. Na nimeridhika kuwaambia kuwa sisi wenyewe tulijikakamua kutekeleza jukumu letu la kutoa habari hizo za uchaguzi kwa umakinifu, usawa na kwa njia mwafaka.

Kipindi kilichopita kilikuwa na ufanisi mkubwa kwenye Kampuni kwa sababu ya kuboreshwa kwa uchumi na kupanda thamani kwa shilingi ya Kenya dhidi ya sarafu zingine zenye ubora ulimwenguni. Mambo haya yalichangia ubora wa mapato na kupunguza gharama za matumizi hususan kwenye bidhaa zinazonunuliwa moja kwa moja na sarafu za kigeni.

MATOKEO YA 2007

Mapato ya mwaka wa 2007 yaliongezeka kwa asilimia 21 hadi shilingi bilioni 7.7 wakati ambapo faida kabla ya kutozwa ushuru iliongezeka kwa asilimia 39 hadi shilingi bilioni 1.6 mwaka uliopita.

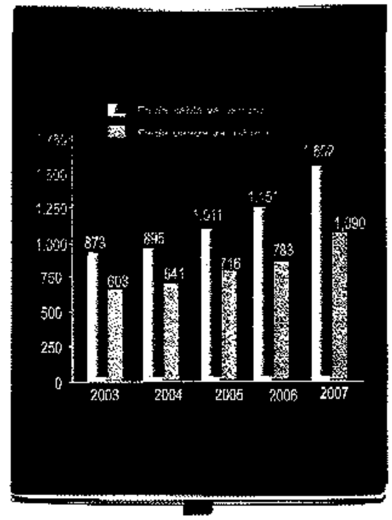
Faida ya kampuni kwa wenye hisa iliongezeka kwa asilimia 39 hadi shilingi milioni 1,089.6.

Vitengo vyote vya kampuni tanzu viliandikisha matokeo bora mwaka uliopita. Hata hivyo matokeo hayo kwa kiasi fulani yalifidia gharama zilizotumiwa kuzindua bidhaa mpya mwaka uliopita, hii ni kukiwemo gazeti la *Business Daily* na *Daily Metro*.

MGAWO

Mgawo wa katikati wa shilingi 3.00 (asilimia 60) kwa kila hisa ulilipwa Septemba 2007, lakini kwa kuzingatia ufanisi bora wa kampuni, kamati ya wakurugenzi imependekeza malipo ya mgawo wa mwisho wa shilingi 7.50 (asilimia 150) kwa kila hisa. Jumla ya mgawo kwa kila hisa kwenye mwaka wa 2007 kwa shilingi 10.50 (asilimia 210) unawakilisha ongezeko la asilimia 50 zaidi ya kiwango kilicholipwa mwaka uliotangulia ukiondoa mgawo maalum wa shilingi 5.00 kwa kila hisa.

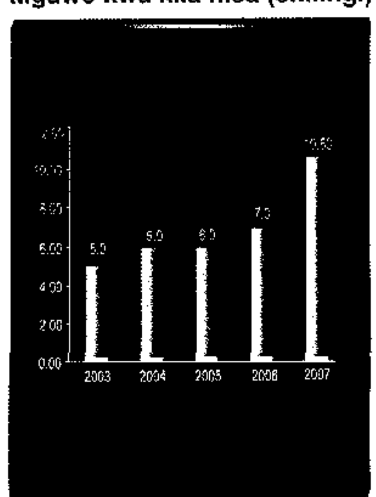
Faida kabla na baada ya ushuru (shilingi m)



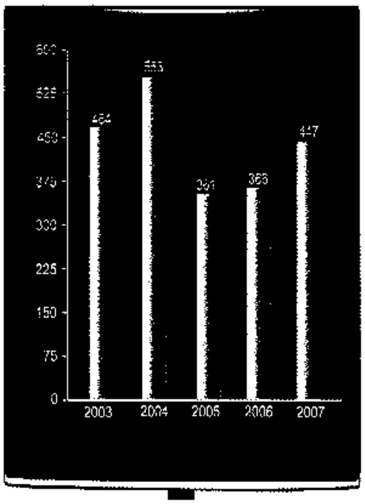
BAADAYE NA MIKAKATI

Kampuni inaendelea kuangalia mwelekeo wa soko ili kubainisha nafasi zilizopo. Kutokana na mkakati huu, nafasi ilipatikana kwenye biashara ya kudolesha na kamati yenu ikaidhinisha kuwepo na kitengo maalum kitakacho shughulikia kuanzishwa kwa biashara ya kudolesha. Kitengo hicho kitakuwa na jukumu la kuunda na kurekebisha sera za kudolesha za kampuni. Wasimamizi wanamatumaini kuwa hili litaipa biashara mtazamo unaotakikana.

Mgawo kwa kila hisa (shilingi)



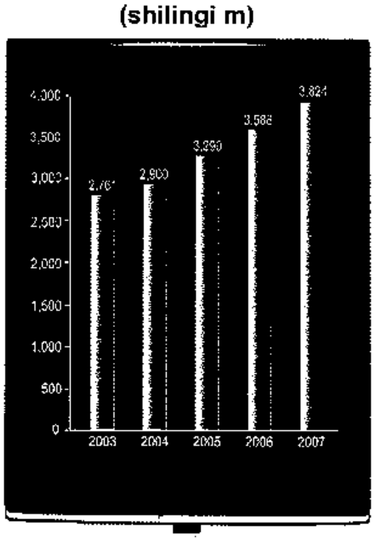
Mtaji wa matumizi (shilingi m)



MATUMAINI BORA YA SIKU ZA BAADAYE

Kutokana na vurugu la kisiasa, kulikuwa na mwanzo mbaya wa kibiashara nchini Kenya. Lakini kumekuwa na matarajio mazuri baada ya vigogo wawili wa kisiasa kutia sahihi mkataba wa amani. Nchini Uganda na Tanzania, biashara inaonekana kuwa na matumaini mema baada ya wao kuanza mwaka vizuri. Kampuni ya Monitor Publications Limited inayochapisha gazeti la *Daily Monitor*

Hazina ya wenyehisa (shilingi m)



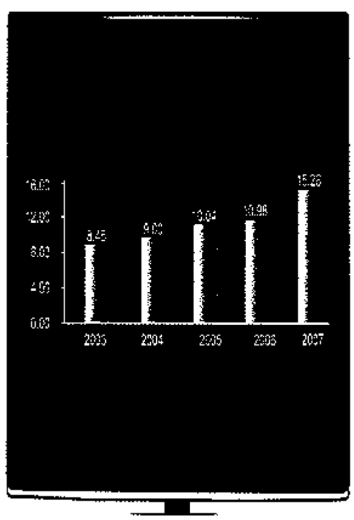
inazidi kujiimarisha, huku NTV(U) ikiwa katika hali nzuri ya kibiashara baada ya kuruhusiwa kuendesha shughuli zake tokea kipindi kile ilipofungwa mwaka uliopita. Hii ilitokea baada na sisi kuwa na mikutano mingi na Serikali ya Uganda kuhusu haki na uhuru wa vyombo vya habari.

Huko Tanzania, kampuni ya Mwananchi Communications Limited inajikakamua vilivyo na inaelekea kuwa na wakati mzuri wa kibiashara hapo baadaye.

KAMATI YA WASIMAMIZI

Mwaka uliotangulia, Bw. H H Awori ambaye alihudumu kwa muda mrefu kama mwenyekiti wetu alistaafu. Bw. D Aluanga, aliyehudumu kama Afisa Mkuu wa Oparesheni na Bw. D d'Acremont, ambaye alihudumu

Mapato kwa kila hisa (shilingi)



kwa muda mrefu kama mkurugenzi pia walijiuzulu kutoka kwenye kamati. Ningependa kuchukua fursa hii kuwashukuru Bw. Awori, Bw. Aluanga na Bw. d'Acremont kwa kujitolea kwao kuhudumia Kampuni hii.

Bi V Unwin na Bw. S Gitagama walijiunga na kamati kama Mkurugenzi na Mkurugenzi Mkuu mtawalia. Tafadhali unganeni nami kuwakaribisha kwenye kamati.

Nikitamatisha, ningependa kutoa shukurani zangu za dhati kwa wanakamati wote kwa kujitolea kwao kwa hali na mali na kuchangia katika kuboresha hali ya kampuni hii. Na hususan, shukurani zangu za dhati zimuendee Bw. L W Gitahi ambaye kufikia sasa amemaliza mwaka mmoja afisini kwanza akijiandaa na kushika usukani kuendesha Kampuni na kuwa na matokeo bora mwaka uliomalizika.

Dkt. M J Aliker
Mwenyekiti

L W Gitahi
Group Chief Executive Officer

I feel privileged to comment on the Group's performance for 2007, which by any measure was a very successful year for us.

The Group achieved impressive growth both in revenue and profits. Revenues increased by Kshs.1.3 billion (21%) to Kshs.7.7 billion, while profit before tax grew by 39% to Kshs.1.6 billion.

The improved performance was largely attributable to the excellent performance by staff, a good business environment, due to a strong recovery of the economy, revenue growth from market share both in advertising and circulation and the continued good rating of radio and television. This combined very well with significant savings on input costs arising from a strong Kenya shilling against other major currencies and strict cost management.

During the year under review, investment in capital expenditure was aligned towards achieving efficiency in our print operations as well as the distribution of our products. A total of Kshs.446.7 million was invested in capital expenditure with a large proportion going to the upgrade of the printing plant, where a new inline magazine stitcher and a Computer to Plate system (CTP) linking the pre-press area and the press were installed.

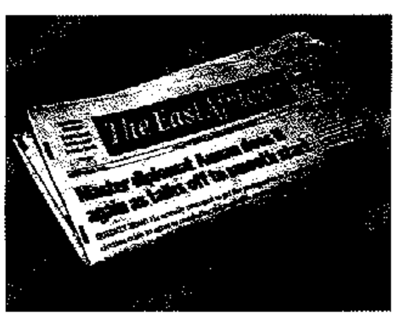
The CTP line was commissioned in Quarter Two of 2007. These initiatives are expected to improve the production efficiency of the printing plant.

An additional colour tower to increase the colour capacity was installed at a cost of Ksh103 million. It was aimed primarily at enhancing the quality of our products and meeting the rising demand for full colour advertising.

The pre-press area was also upgraded with the commissioning of a new version of the advertising and editorial systems.

NATION NEWSPAPERS DIVISION (NND)

The division's good results was attributable to the improved advertising revenue driven by market share gains and diversification of the product offerings. Activities in the run-up to the December 2007 General Election and a strong Kenya Shilling against the US dollar were also contributionary factors.



A favourable US dollar price per ton of newsprint had a positive impact on direct costs. The strong circulation performance was driven by the increased political activity in the run-up to the General Election.

The distribution and circulation departments were merged to maximise efficiency and to concentrate on market development and growth. Overall, we have seen circulation and availability of our products greatly improve.

On product development, the division introduced a new easy-to-read leisure daily newspaper, the *Daily Metro* in Quarter Three of 2007. This publication targets the youth and the young at heart.

The *Business Daily*, which was introduced in early 2007 continued to perform well with notable growth in circulation and has become a serious and authoritative business publication.

NATION MARKETING AND PUBLISHING LIMITED (NMP)

The division, which is responsible for the distribution of non-NMG publications performed reasonably well despite the discontinuation of the *Nation Business Directory*. Publication of the Directory was stopped in 2007 in order to allow the division concentrate on its core business of magazine distribution. The change has resulted in lower contribution compared with the previous year. However, improved performance from efficiency is expected in coming years.

NATION BROADCASTING DIVISION (NBD)

The division continued with its now established trend of growth in ratings both in radio listenership and television viewership. This growth was equally reflected in the revenue earning capacity of the division, with advertising revenue growing by 32% over the previous year.

The growth in revenue together with cost cutting efforts, resulted in an impressive contribution to the overall operating results of the Group.

Following the strengthening of the radio management, Easy FM has now claimed a leading position among FM stations in Kenya and continues to attract critical listenership, which is expected to yield good results in coming years.

NATION CARRIERS DIVISION (NCD)

The division was restructured in 2006 to enable it to concentrate on its core activity of newspaper delivery and courier services. The restructuring has led to improved revenues and contribution over the previous year.

MONITOR PUBLICATIONS LIMITED (MPL) - UGANDA

MPL continued with its impressive performance that saw its revenue grow by 18% over the previous year.

Both the *Daily Monitor* and the *Sunday Monitor* have registered growth in both advertising and circulation market share.

Kfm radio also continued to enjoy good listenership ratings leading to an impressive growth in operating profit over the previous year.

MWANANCHI COMMUNICATIONS LIMITED (MCL) – TANZANIA

The hedging undertaken in the last Quarter of 2006, in which a Kenya shilling-denominated loan from the Group to MCL was transferred to the Tanzanian shilling and the company allowed to borrow locally, mitigated the currency risk exposure we had undertaken. This together with a change in the management of the company in 2007 saw its fortunes change significantly. This trend has been maintained in 2008.

EAST AFRICAN MAGAZINES LIMITED (EAM)

EAM continued with its good performance in the year with growth in revenue of 50% over 2006. Its overall performance remains in line with the business plan. The company's products also continued their dominance of the magazine market as their circulation continued to improve.

We are, however, reviewing the option of optimising our presence in this segment of the market and shall issue updates as our plans concretise.

NTV - UGANDA (NTV(U))

As reported in the last financial year, NTV(U) had a false start when it was shut down for three months. It was reopened in April and has since

bounced back very strongly to finish the year ahead of budget.

During the year, the station has managed to establish itself and has attracted a respectable viewership in and around Kampala. There are plans to expand its broadcast reception to other areas of the country. This has already commenced.

BUSINESS DEVELOPMENT

In line with current trends worldwide, management is of the view that future developments lie in digital technology. We, therefore, have established a fully fledged division to address the digital media business. It is anticipated that with this venture, the Group will fully exploit opportunities in the digital business in line with emerging world trends.

APPRECIATION

I would like to sincerely thank our management and staff for the excellent performance and to our readers, viewers, listeners and other business partners for the support they have continued to extend to us. Let me reassure them of the Group's continued commitment to providing excellent services.

In conclusion, I would also like to express my sincere appreciation to the board of directors for their continued support and guidance.

L W Gitahi
Group Chief Executive Officer

L W Gitahi
Afisa Mkuu Mtendaji wa Kampuni

Ninashukuru kupewa fursa hii kuzungumzia ufanisi wa Kampuni wa mwaka wa 2007, ambao kwa vyovyote vile ulikuwa na mafanikio mema kwetu sote.

Kampuni ilikuwa na ongezeko la kupendeza katika mapato na faida, kwani mapato yaliongezeka kwa shilingi bilioni 1.3 (asilimia 21) hadi shilingi bilioni 7.7, na faida kabla ya kutozwa ushuru iliongezeka kwa asilimia 39 hadi shilingi bilioni 1.6.

Matokeo bora ya utendaji kazi wa kampuni yalisababishwa na bidii ya wafanyikazi na kadhalika mazingira mazuri ya kufanyia kazi. Kutokana na kufufuka kwa uchumi wa nchi, ukuaji wa mapato katika biashara kwenye soko hasa katika idara za matangazo na usambazaji, hali hizi zilisababisha kuwepo kwa matokeo bora kwenye idara za Redio na Runinga. Matokeo haya yaliimarisha vyema akiba za vitega uchumi kutokana na kukua kwa shilingi ya Kenya dhidi ya sarafu nyingine za kimataifa.

Kimtazamo tu, katika kipindi cha mwaka uliotangulia, uwekezaji kwenye mtaji wa matumizi ulifanikishwa ili kuboresha utendaji kazi kwenye oparesheni ya uchapishaji na vile vile kwenye usambazaji wa bidhaa zetu. Jumla ya shilingi milioni 446.7 ziliwekezwa kwenye mtaji wa matumizi na kiwango kikubwa kikipelekwa kuboresha mitambo ya uchapishaji, ambapo kifaa cha kuunganishia majarida kilinunuliwa pamoja na ngamizi (CTP).

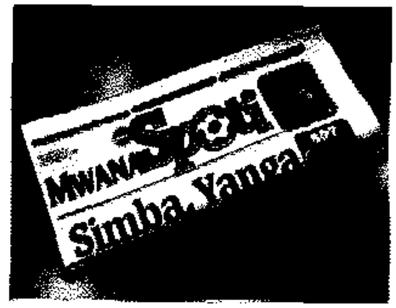
Mnara wa rangi uliongezewa ili kuzidisha kiwango cha uchujushaji wa rangi ulisimika kwa gharama ya shilingi milioni 103.
Lengo lake awali ilikiuwa ni kuboresha bidhaa zetu na kutosheleza mahitaji mengi ya kuwepo kwa rangi ya kutosha ili kuwatoshelezea wateja wetu wa matangazo.

Taratibu zote za matangazo na utawala wa uhariri ziliboreshwa na hilo lilisababisha matokeo mazuri na huduma bora kwa wateja.

NATION NEWSPAPERS DIVISION (NND)

Matokeo bora ya kitengo hiki yanatokana na mambo matatu – Utendaji kazi bora wa kipekee katika utangazaji kutokana na kuimarika kwa uchumi; kuongezeka kwa mapato ya utangazaji hadi kufikia kipindi cha Uchaguzi mkuu wa

Desemba 2007; na kuimarika kwa shilingi ya Kenya dhidi ya dola ya Marekani. Mwafaka wa bei ya dola ya Marekani kwa tani ya kuchapisha habari ulisaidia kwenye ubanaji wa gharama za moja kwa moja. Uthabiti bora wa utendaji kazi kwenye usambazaji ulisababishwa na hali ya kisiasa katika kipindi cha harakati za Uchaguzi Mkuu.



Idara ya utangazaji na usambazaji wa bidhaa ziliunganishwa ili kuthibiti ubora wa kibiashara na kukuza maendeleo ya masoko. Kwa ujumla, tumefahamu kuwa pana maendeleo mazuri kwenye kitengo cha mauzo ya bidhaa zetu.

Kwenye maendeleo ya bidhaa, kitengo hiki kilizindua gazeti moja muruwa la kusomwa linaloitwa *Daily Metro* kwenye kipindi cha robo tatu ya mwaka jana. Gazeti hili liliwalenga vijana.

Gazeti la *Business Daily* lilianzishwa mapema mwaka jana na likaendelea kufanya vyema katika mauzo. Gazeti hili linatarajiwa kuwa na ushawishi mkubwa katika matoleo ya kibiashara.

Ngamizi iliyonunuliwa (CTP) ilianza kazi katika nusu ya pili ya mwaka uliomalizika na kile kifaa cha kuandikia majarida kiliwekwa mwaka huo. Hatua kama hizi zinatarajiwa kuboresha utendaji kazi katika mitambo ya kuchapishia.

Sehemu ya mihadhara pia iliimarishwa kwa kuwekwa mifumo mipya ya uhariri na utangazaji.

NATION MARKETING AND PUBLISHING LIMITED (NMP)

Kitengo hiki ambacho kilikuwa na jukumu la kusambaza machapisho ambayo sio ya Kampuni hii, kilifanya vyema licha ya kwamba moja wapo ya bidhaa zake kama *Nation Business Directory* ilisitishwa. Uamuzi huo wa kusitisha bidhaa hiyo ulitolewa ili kukipa kitengo hiki fursa ya kuzingatia kwa makini kazi yake muhimu ya kusambaza majarida. Mabadiliko haya yalileta upungufu ikilinganishwa na mwaka uliotangulia, hata hivyo matarajio mema yanatazamiwa miaka ijayo.

NATION BROADCASTING DIVISION (NBD)

Kitengo hiki kiliendelea na hali yake ya kukua kwa viwango vya usikilizaji redio na utazamaji wa runinga. Ongezeko hili linaashiria sawa na kiwango cha mapato ya kitengo hiki huku mapato ya utangazaji yakiongezeka kwa asilimia 32 zaidi ya mwaka uliomalizika.

Ongezeko la mapato pamoja na harakati bora za kupunguza gharama zilichangia pakubwa katika kuleta jumla ya ufanisi kwenye matokeo ya kampuni.

Baada ya kuimarisha usimamizi wa Redio, Easy fm sasa imekuwa nafasi ya mbele ikilinganishwa na vituo vingine vya Fm humu nchini na inaendelea kuvutia wasikilizaji kila uchao, jambo ambalo linaifanya kuwa na matarajio bora siku za usoni.

NATION CARRIERS DIVISION (NCD)

Kitengo hiki kiliimarishwa mwaka wa 2006 ili kukifanya kuzingatia na kuwa makini na kazi yake ya kusambaza magazeti na huduma za uchukuzi. Uimarishaji huu umeleta ongezeko la mapato na mchango wa haja ukilinganisha na mwaka uliotangulia.

MONITOR PUBLICATIONS LIMITED (MPL) - UGANDA

Kitengo hiki kiliendelea kuonyesha utendakazi bora ambao ulisababisha ongezeko la mapato kwa asilimia 18 zaidi ya mwaka uliotangulia.

Magazeti mawili *Daily Monitor* na *Sunday Monitor*, yalifanikisha ongezeko katika utangazaji na usambazaji wa kipato kwenye soko.

Kfm pia ilizidi kupata viwango vya juu vya umaarufu na kusikizwa na kupata ongezeko la faida dhidi ya mwaka uliotangulia.

MWANANCHI COMMUNICATIONS LIMITED (MCL) - TANZANIA

Kigezo kilichochukuliwa kwenye robo ya mwisho ya mwaka wa 2006, kilipelekea shirika la MCL kulipa madeni yake kwa NMG na kisha kuliruhusu shirika hilo la Tanzania kuchukua mkopo wa sarafu ya kitanzania ili kuendesha biashara zake vyema na hali kadhalika kukwepa matatizo yanayotokana na ubadilishanaji wa sarafu za kifedha kwenye masoko yetu. Suala hili pamoja na kuratibu upya usimamizi wa kampuni uliongezea manufaa ya MCL. Kwa ujumla, kampuni ilirekodi matokeo mazuri mwaka uliotangulia na inatarajiwa kudumisha hali hiyo siku zijazo.

EAST AFRICAN MAGAZINES LIMITED (EAM)

EAM iliendelea na kazi ya nzuri mwaka huo ikiwa na ongezeko la mapato la asilimia 50 kutoka mwaka wa 2006. Matokeo yake kwa ujumla yanatarajiwa kubaki hivyo hivyo kibiashara. Bidhaa za kitengo hiki ziliendelea kunawiri katika soko la majarida wakati ambapo usambazaji unazidi kuimarika.

Daima tunajaribu kuboresha bidhaa zetu kwa kutathmini mipangilio ya masoko huku tukitazamia kutoa taarifa kamili kadri mambo yanavyoendelea kutendeka.

NTV-UGANDA (NTV- (U))

Kama ilivyoripotiwa mwaka uliomalizika, NTV (U) ilikuwa na mwanzo mbaya wakati ambapo ilifungwa kwa kipindi cha miezi mitatu, matatizo yaliyoikumba na kusababisha kufungwa kwake, yalisuluhishwa na punde ikarudi

hewani kuleta matangazo yake.

Mwaka huo iliweza kujiimarisha na ikavutia watazamaji wengi katika eneo la Kampala. Kuna mipango ya kupanua usambazaji habari hadi maeneo mengine ya nchi hiyo.

MAENDELEO YA BIASHARA

Kulingana na mambo yalivyo sasa ulimwenguni, usimamizi unaangazia kuwa maendeleo ya baadaye yatakuwa ni tekinolojia ya kudolesha au ile ya kidijitali. Hivyo basi wasimamizi wameamua kuanzisha kitengo kipya ili kuipanua biashara ya kudolesha au kidijitali. Inatazamiwa kuwa, hali hii ikifanikiwa, basi kampuni itakuwa na fursa kabambe katika biashara ya kudolesha.

SHUKURANI

Ningependa kuwashukuru wasimamizi na wafanyikazi kwa kazi yao nzuri, na kadhalika kwa wasomaji wetu, watazamaji, wasikilizaji na washirika dau wengine wa kibiashara kwa usaidizi wao ambao wanazidi kutupatia, nasi tunawaahidi kwamba tutajitolea muhanga kuhakikisha kwamba tunawaletea na kuwapa huduma bora.

Nikihitimisha, pia ningependa kutoa shukurani zangu za dhati kwa Kamati ya Wakurugenzi ambao wamejitolea kwa hali na mali kuchangiza, kusaidia na kutoa mwelekezo wao thabiti.

L W Gitahi
Afisa Mkuu Mtendaji wa Kampuni

Going Digital

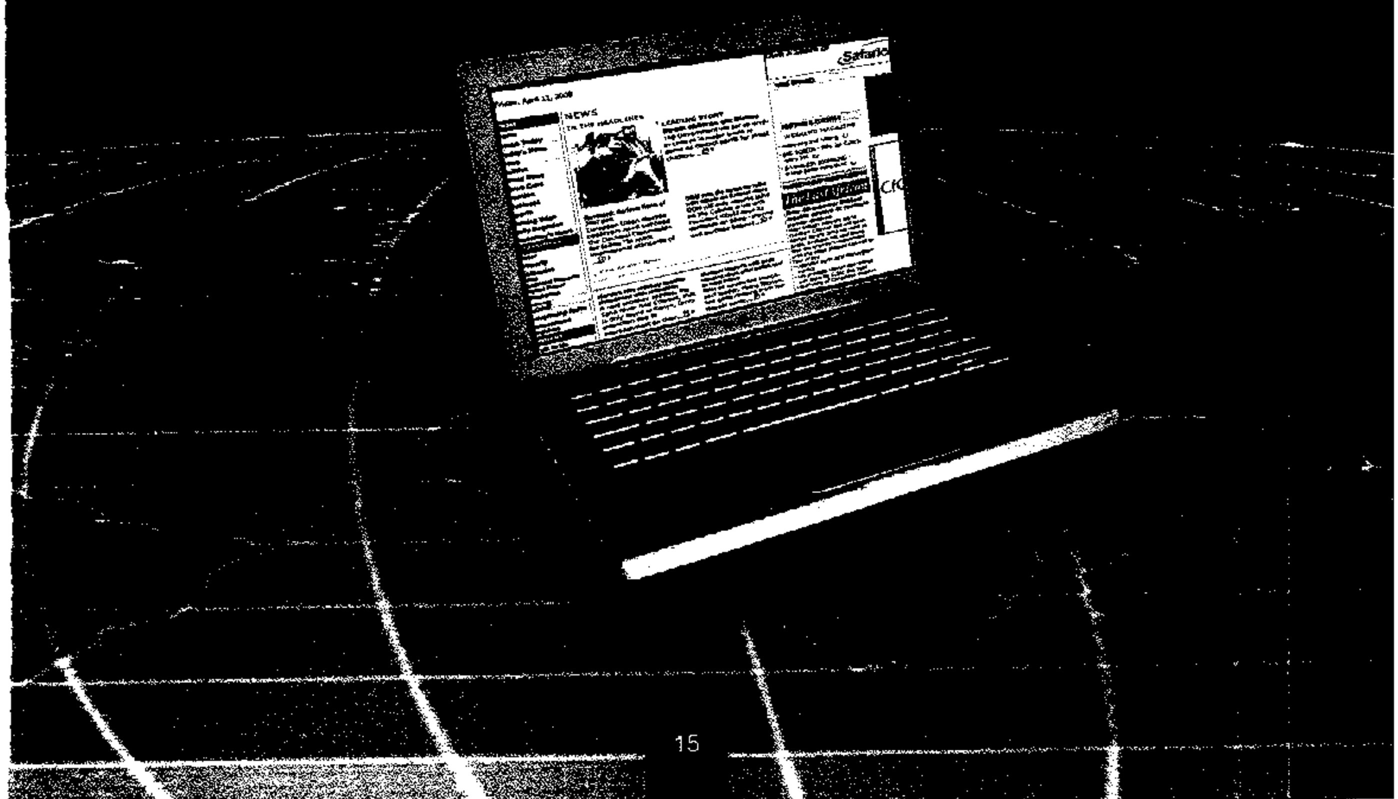
o satisfy demand from the market, the Group has launched a Digital division that will utilise content from the print, television and radio divisions for the digital platform. This will then be repackaged to make it available to a wider audience on the internet and via mobile phones. The division will also enable the Group expand to a new area of generating revenue. It should, however, not be confused with the information technology department which manages the internal digital processes.

With the number of people interested in obtaining news, sports and entertainment reports over the internet and mobile phones increasing by the day, the division will launch the Group into this growing market.

It will also enable the Group achieve our vision of being the Media of Africa for Africa through the establishment of an Africa-wide news gathering network. This will be through an African Web Portal that will gather text and video content from across the continent and make it available on the internet to cater for the information needs of the African diaspora. The Digital division will also provide a forum for what is commonly referred to as Citizen Journalism, in which viewers send in pictures and give their understanding of events taking place in their neighbourhoods.

The division will provide video for subscribers especially in the diaspora, besides running a syndication service by offering material to other media channels at a cost.

In the developed world digital revenues contribute a significant portion of media income, and the Group is gearing itself to cater for the needs of the modern media consumer.



INVESTING IN STAFF

On the Group's staff development front, we undertook a major company-wide team building exercise in Quarter 1 of 2007 at Brackenhurst in Limuru. The main objective was to ensure that all staff provide an efficient and effective service to our clients. The training involved a total of 23 sessions comprising small groups of staff drawn from all the different departments. After the conclusion of the sessions in May, all the issues raised by staff were collected and measures developed to address their concerns. Indeed, most of the issues raised were implemented in Quarter 2, 3 and 4 of the year, mainly through departmental human resource barazas.

NMG staff on team building activity

MEDIA LAB TRAINING

To meet the Group's demand for qualified and competent staff, we developed a Media Lab Training Programme in May 2007. The Lab has a curriculum of 11 Editorial- based training modules and is a combination of classroom and fieldwork attachments. Under the programme, fresh university graduates from diverse academic backgrounds but with a genuine interest in pursuing a career in journalism are recruited and trained. The Media Lab currently hosts a total of 22 trainee journalists who will graduate in May 2008.

TALENT SEARCH

The search of raw talent by the Group went beyond in-house training. We embarked on elaborate road shows and career talks in all public and private universities in East Africa. The initiative was meant to interest students

A media lab session in progress

in journalism and what they needed to do to join the media industry. It also served to impress upon them the fact that the Group has room for other professionals besides journalists in its information technology, finance, human resource, advertising, marketing and circulation departments. A database containing more than 5,000 names was developed.Other mentoring activities included job shadowing and career talks which were undertaken at various secondary schools and universities.

INTERNSHIP PROGRAMME

We are currently running a robust local as well as an international internship programme. In conjunction with the local universities, interns are sourced and are being deployed in core departments like editorial broadcasting and production. The Group has a 95% uptake record of those who have gone through the programme.

Nation staff children fun day

MEDIA OF AFRICA FOR AFRICA

In pursuit of our stated mission of being the leading media house in Africa, the Group has exchanged staff between Nairobi, Mwananchi Communications Limited in Tanzania and Monitor Publications Limited in Uganda. This has served two purposes; it has greatly improved synergies and improved journalistic performance, especially for the subsidiaries in Uganda and Tanzania.

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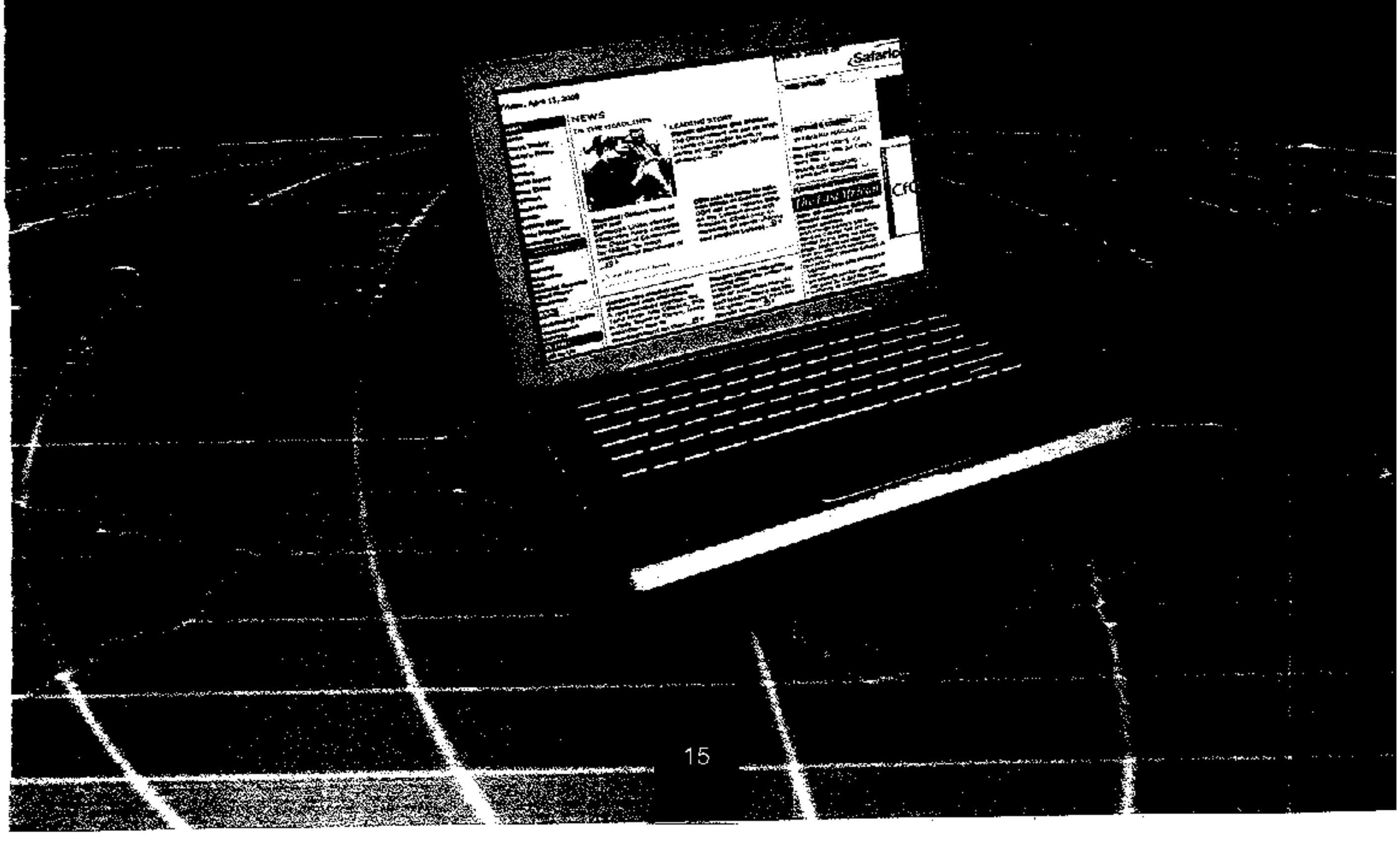


Being keenly aware of our social responsibilities the Group maintained a strong Corporate Social Responsibility presence in the areas of education, health and environment.

EDUCATION

In the education sector, the Group offered scholarships to eight bright students from needy families selected from all the provinces in the country. Under the initiative dubbed Nation 8, the students were picked after a vigorous selection exercise and their performance in school closely monitored.

Besides the scholarships, the Group also partnered with Junior Achievement Kenya, an organisation that assists secondary school students make informed career choices. Through a job shadow programme, the Group arranged for 100 students drawn from various schools to be exposed to the work place environment. Another 1,000 students received lectures on career choices. We also undertook a robust mentoring progamme through which staff visited schools and colleges to give talks about career and job opportunities in the Group.

The Group invested heavily in promoting and enhancing computer literacy in schools, which was done through partnership with the Computer for Kenya project. Through the project the Group donated computers to schools.

HEALTH

Equal attention was given to the health sector. The Group co-sponsored the Heart to Heart walk, Dettol Mater Heart Run, the UUNET Ear Walk, the Kenya Society for the Blind and Cerebral Palsy. We also supported the Diabetes fund through golf sponsorships, breast cancer awareness in October and the Freedom from Hunger Walk.

ENVIRONMENT

The Group maintained its strong support for the Environment.

Newspaper in Education (NiE) session (Uganda)

Staff presenting donations to internally displaced people (IDP)

We sponsored the Rhino Charge, which is one of the main fundraising events for the Aberdare Fence initiative. The Group was a pioneer founder of the Nation Aberdare Forest Fund, which will be completed in 2008, and involved the fencing off of the forest to protect neighbouring communities from wild animals.

We were also involved in several major tree planting initiatives, including one in Kiambere, in Mbeere District, where about 1,200 trees were planted. Another 1,000 seedlings were planted at Masinga Dam.

The Group also sponsored the Ndakaini Dam half marathon which was in support of the conservation of water catchment areas around the dam, and the Arboretum 100th anniversary celebrations and run. Most of these activities were spear-headed by the Group's Green Brigade, comprising staff members.

UGANDA

In Uganda, the Monitor Publications Limited initiated a project titled Newspapers in Education (NiE) which involved publishing past examination papers and other educational material in the *Daily Monitor*, some of which were then donated to schools. The project was highly successful and is a continuing initiative.

TANZANIA

In Tanzania, Mwananchi Communications Limited participated in a highly successful civic education programme which involved members of the public nominating public officials who they felt had gone beyond the call of duty in serving them. The officials nominated were then recognised for their contribution to national development.

DISASTER RESPONSE

Besides our core area of support, we also assist in disaster management projects when an emergency arises. For this we have established a solid working relationship with relief agencies in the region.

Market leaders exist to pave the way and to enter into uncharted territories. They exist to take risks on behalf of industry albeit well assessed ones. Companies that lack innovation either stagnate or collapse. The following were some of the innovations during the year.

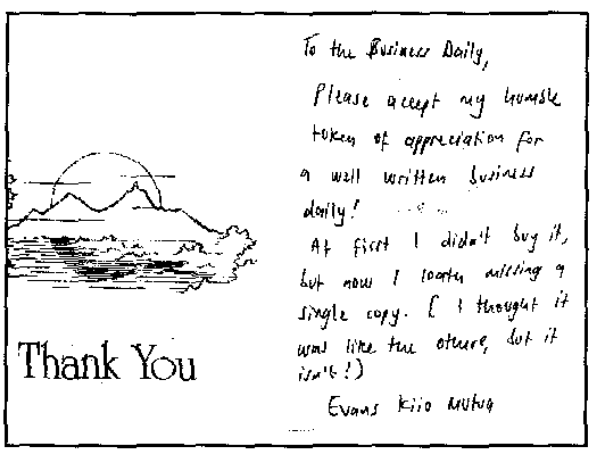
BUSINESS DAILY: MAKING BUSINESS MAKE SENSE

In March 2007, the Nation Media Group launched the Business Daily which is Kenya's first and only daily business paper. The Business Daily was launched with the aim of putting together a one stop publication for all business news. With its savvy style, colour and in-depth analysis, the paper has become a permanent companion for anyone who cares about business in Kenya.


A captivating read

By introducing in-depth pull outs such as The Edge, the Business Daily continues to grow its readership not only within business circles but also in learning institutions where tomorrow's captains of industry are being shaped.

The passion created by the Business Daily can best be summarized by this letter sent to the editor last year.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Please accept my humble token of appreciation for a well written business daily!

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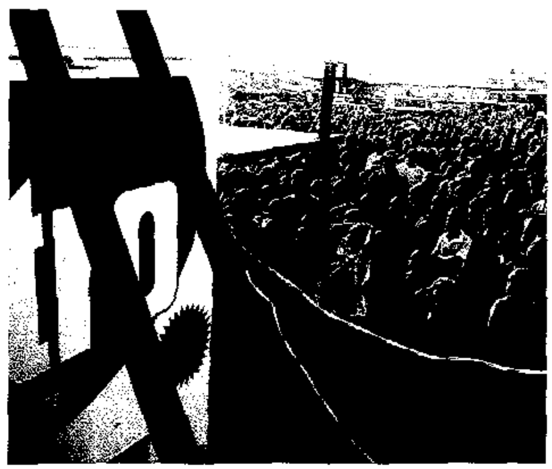
DAILY METRO: BOLD, REAL, COLORFUL, FUN

Everyone loves real life stories....everyone! The Nation Media Group identified yet another gap in the print market and launched Kenya's first and truly real life stories publication. It came rolling down the conveyer belt on 26 September 2007! Full of colour, energy and pace, the Daily Metro remains one of the industry's most vibrant and fresh products with captivating stories every day. It has found a home in the hands of young readers who are always looking out for new things, opportunities, gaps and are proud to be who they are.


Yes ! it rolls down the conveyor belt


Launch of the Daily Metro

Daily Metro stories form topics of discussions all over Kenya in homes, schools, offices and FM radio talk shows. It's the publication that has engaged readers with captivating stories of pain, joy, anger, love and hate. Simply put, Bringing news to life!

Board of Directors

Dr Martin Aliker, holds a Bachelor of Medicine (Dental) from Northwestern University, USA. He is a retired Dental Surgeon based in Uganda and joined the board in June 2001. He is the Chairman of the board and also of Monitor Publications Limited, Stanbic Bank Uganda Limited and Hima Cement all in Uganda. He serves on the Finance and Audit and the Strategic Planning Committees.

Dr Martin Aliker

Mr Gerard Wilkinson

Mr Francis O. Okello

Mr Abdallah Bekah

Mr Ali Mufuruki

Mr Anwar Poonawala

Mr Gerard Wilkinson, holds a BA, MEcon.Sc and MS from Ireland and the United States of America. He lectured at the School of Business, University College Dublin. He has served as a senior executive at Independent Newspapers, Dublin, Managing Director, Nation Newspapers and Head of Public Affairs at the Aga Khan Secretariat in Paris, France. He intially served on the board from September 1973 until 1980 and rejoined the board in April 1983. Mr Wilkinson is the Chairman of the Nominations Committee and serves on the Strategic Planning Committee.

Mr Francis Okomo Okello, holds a Bachelor of Laws Degree from the University of Dar es Salaam, Tanzania and is an Advocate of the High Court of Kenya, an Albert Parvin Fellow of Princeton University as well as a Fellow of the Kenya Institute of Bankers (FKIB). He is currently the Head of Legal and Corporate Affairs at Industrial Promotion Services Group of Companies. He joined the board in December 1995. He is the Chairman of Barclays Bank of Kenya Limited and TPS Eastern Africa Limited (Serena Group of hotels and lodges). Mr Okello is the Chairman of the Editorial Committee and serves on the Remuneration Committee.

Mr Abdallah Bekah, holds a Bachelor of Arts (Hons) Degree from the University of Nairobi, a Diploma in Insurance from the College of Insurance, in Surbiton, United Kingdom and is a Chartered Insurance Practitioner (CII). He is the Managing Director of Sedgwick Kenya Insurance Brokers Limited and is the Chairman of the College of Insurance Management Board. He joined the board in April 1996 and serves on the Editorial and the Remuneration Committees.

Mr Ali Mufuruki, holds a Bachelor of Science (Mechanical Engineering) from the Fachhochschule for Technology and Economics in Reutlingen, Germany. He is a businessman and Chairman of Infotech Investment Group Limited based in Tanzania. He joined the board in March 2006. He is the Chairman of Mwananchi Communications Limited, the Group's subsidiary in Tanzania, a Director of TPS Eastern Africa Limited (Serena Group of hotels and lodges) and Bank of Tanzania. Mr Mufuruki is the Chairman of the Remuneration Committee and serves on the Finance and Audit Committee.

Mr Anwar Poonawala, holds a Master of Science (Industrial Engineering) and an MBA. He joined the board in June 1989. He has been associated with the Aga Khan Development Network for over thirty years and retired in 2006 as the director of Industrial Promotion Services based in Paris, France. Mr Poonawala is a director of AKFED. He serves on the Finance and Audit and the Nominations Committees.

Mr James Lee, who holds an MBA from Harvard University, began his career as a Director of McKinsey & Company. He has since had a distinguished career with the international media. He was formerly CEO of the Pearson Group in the United Kingdom; Deputy Chairman of Yorkshire Television and Chairman of Goldcrest Films and TV. He was appointed to the board in December 2001. He chairs the Finance and Audit Committee and serves on the Remuneration and the Strategic Planning Committees.

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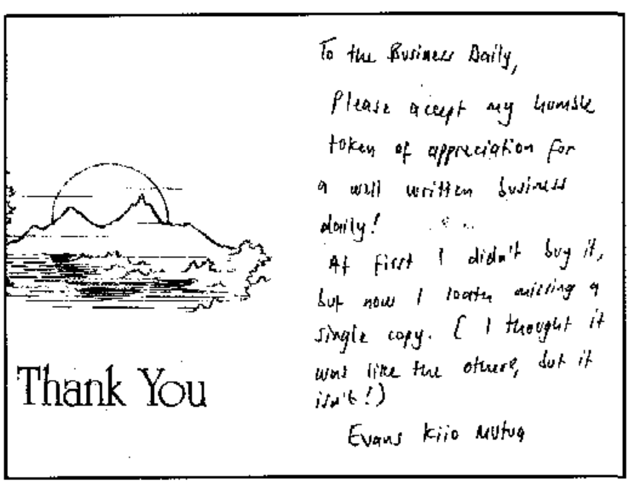

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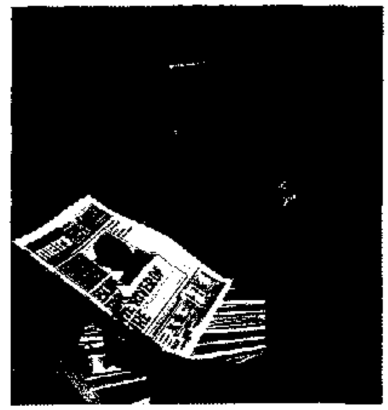
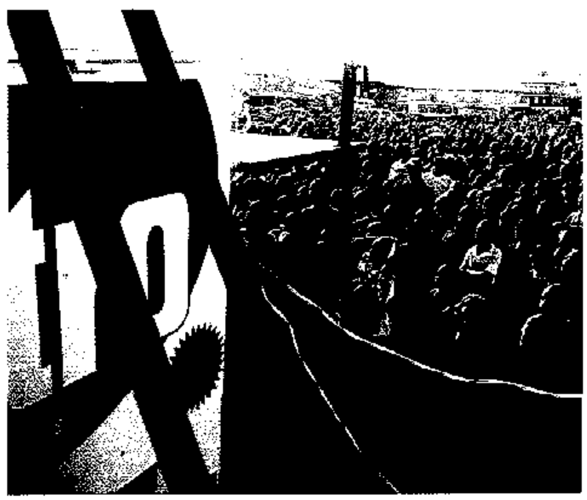
DAILY METRO: BOLD, REAL, COLORFUL, FUN

Everyone loves real life stories....everyone! The Nation Media Group identified yet another gap in the print market and launched Kenya's first and truly real life stories publication. It came rolling down the conveyer belt on 26 September 2007! Full of colour, energy and pace, the Daily Metro remains one of the industry's most vibrant and fresh products with captivating stories every day. It has found a home in the hands of young readers who are always looking out for new things, opportunities, gaps and are proud to be who they are.



Yes ! it rolls down the conveyor belt

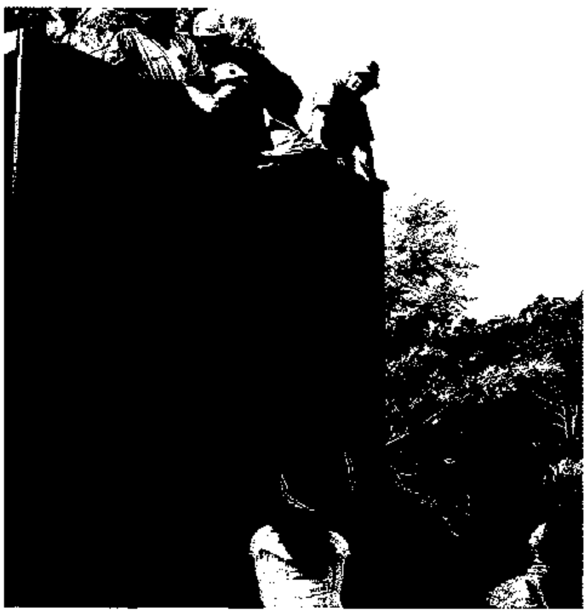


Launch of the Daily Metro

Daily Metro stories form topics of discussions all over Kenya in homes, schools, offices and FM radio talk shows. It's the publication that has engaged readers with captivating stories of pain, joy, anger, love and hate. Simply put, Bringing news to life!

INVESTING IN STAFF

On the Group's staff development front, we undertook a major company-wide team building exercise in Quarter 1 of 2007 at Brackenhurst in Limuru. The main objective was to ensure that all staff provide an efficient and effective service to our clients. The training involved a total of 23 sessions comprising small groups of staff drawn from all the different departments. After the conclusion of the sessions in May, all the issues raised by staff were collected and measures developed to address their concerns. Indeed, most of the issues raised were implemented in Quarter 2, 3 and 4 of the year, mainly through departmental human resource barazas.



NMG staff on team building activity

MEDIA LAB TRAINING

To meet the Group's demand for qualified and competent staff, we developed a Media Lab Training Programme in May 2007. The Lab has a curriculum of 11 Editorial- based training modules and is a combination of classroom and fieldwork attachments. Under the programme, fresh university graduates from diverse academic backgrounds but with a genuine interest in pursuing a career in journalism are recruited and trained. The Media Lab currently hosts a total of 22 trainee journalists who will graduate in May 2008.

TALENT SEARCH

The search of raw talent by the Group went beyond in-house training. We embarked on elaborate road shows and career talks in all public and private universities in East Africa. The initiative was meant to interest students

A media lab session in progress

in journalism and what they needed to do to join the media industry. It also served to impress upon them the fact that the Group has room for other professionals besides journalists in its information technology, finance, human resource, advertising, marketing and circulation departments. A database containing more than 5,000 names was developed.Other mentoring activities included job shadowing and career talks which were undertaken at various secondary schools and universities.

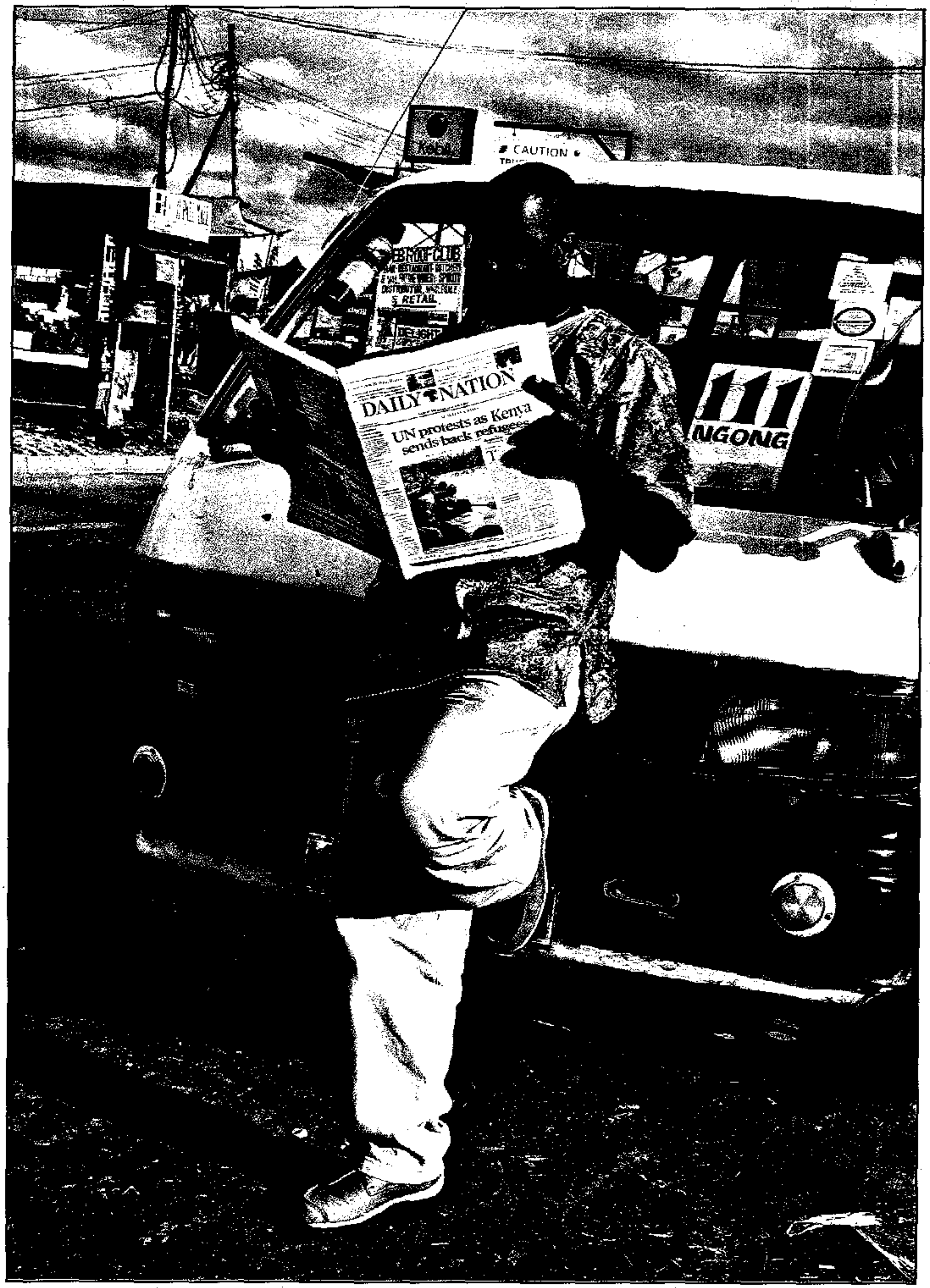
INTERNSHIP PROGRAMME

We are currently running a robust local as well as an international internship programme. In conjunction with the local universities, interns are sourced and are being deployed in core departments like editorial broadcasting and production. The Group has a 95% uptake record of those who have gone through the programme.

Nation staff children fun day

MEDIA OF AFRICA FOR AFRICA

In pursuit of our stated mission of being the leading media house in Africa, the Group has exchanged staff between Nairobi, Mwananchi Communications Limited in Tanzania and Monitor Publications Limited in Uganda. This has served two purposes; it has greatly improved synergies and improved journalistic performance, especially for the subsidiaries in Uganda and Tanzania.



Everyday, the truth lights up the nation

Board of Directors

Dr Martin Aliker, holds a Bachelor of Medicine (Dental) from Northwestern University, USA. He is a retired Dental Surgeon based in Uganda and joined the board in June 2001. He is the Chairman of the board and also of Monitor Publications Limited, Stanbic Bank Uganda Limited and Hima Cement all in Uganda. He serves on the Finance and Audit and the Strategic Planning Committees.

Dr Martin Aliker

Mr Gerard Wilkinson

Mr Francis O. Okello

Mr Abdallah Bekah

Mr Ali Mufuruki

Mr Anwar Poonawala

Mr Gerard Wilkinson, holds a BA, MEcon.Sc and MS from Ireland and the United States of America. He lectured at the School of Business, University College Dublin. He has served as a senior executive at Independent Newspapers, Dublin, Managing Director, Nation Newspapers and Head of Public Affairs at the Aga Khan Secretariat in Paris, France. He intially served on the board from September 1973 until 1980 and rejoined the board in April 1983. Mr Wilkinson is the Chairman of the Nominations Committee and serves on the Strategic Planning Committee.

Mr Francis Okomo Okello, holds a Bachelor of Laws Degree from the University of Dar es Salaam, Tanzania and is an Advocate of the High Court of Kenya, an Albert Parvin Fellow of Princeton University as well as a Fellow of the Kenya Institute of Bankers (FKIB). He is currently the Head of Legal and Corporate Affairs at Industrial Promotion Services Group of Companies. He joined the board in December 1995. He is the Chairman of Barclays Bank of Kenya Limited and TPS Eastern Africa Limited (Serena Group of hotels and lodges). Mr Okello is the Chairman of the Editorial Committee and serves on the Remuneration Committee.

Mr Abdallah Bekah, holds a Bachelor of Arts (Hons) Degree from the University of Nairobi, a Diploma in Insurance from the College of Insurance, in Surbiton, United Kingdom and is a Chartered Insurance Practitioner (CII). He is the Managing Director of Sedgwick Kenya Insurance Brokers Limited and is the Chairman of the College of Insurance Management Board. He joined the board in April 1996 and serves on the Editorial and the Remuneration Committees.

Mr Ali Mufuruki, holds a Bachelor of Science (Mechanical Engineering) from the Fachhochschule for Technology and Economics in Reutlingen, Germany. He is a businessman and Chairman of Infotech Investment Group Limited based in Tanzania. He joined the board in March 2006. He is the Chairman of Mwananchi Communications Limited, the Group's subsidiary in Tanzania, a Director of TPS Eastern Africa Limited (Serena Group of hotels and lodges) and Bank of Tanzania. Mr Mufuruki is the Chairman of the Remuneration Committee and serves on the Finance and Audit Committee.

Mr Anwar Poonawala, holds a Master of Science (Industrial Engineering) and an MBA. He joined the board in June 1989. He has been associated with the Aga Khan Development Network for over thirty years and retired in 2006 as the director of Industrial Promotion Services based in Paris, France. Mr Poonawala is a director of AKFED. He serves on the Finance and Audit and the Nominations Committees.

Mr James Lee, who holds an MBA from Harvard University, began his career as a Director of McKinsey & Company. He has since had a distinguished career with the international media. He was formerly CEO of the Pearson Group in the United Kingdom; Deputy Chairman of Yorkshire Television and Chairman of Goldcrest Films and TV. He was appointed to the board in December 2001. He chairs the Finance and Audit Committee and serves on the Remuneration and the Strategic Planning Committees.

Board of Directors continued

Mr Linus Gitahi

Mr Linus Gitahi, holds an MBA from USIU and a Bachelor of Commerce (Accounting) from the University of Nairobi. He was appointed the Group Chief Executive Officer on 1st November 2006 and to the board in December 2006. He previously worked with a leading pharmaceutical company as Managing Director based in Nigeria. He is a director of the Group's subsidiary companies, Equity Bank and Property Development and Management Limited. Mr Gitahi serves on the Strategic Planning, the Editorial and the Nominations Committees.

Mr James Lee

Ms. Vicky Unwin

Mr Stephen Gitagama

Mr Wilfred Kiboro

Prof. Lee Huebner

Ms. Vicky Unwin, is a graduate of Cambridge University where she studied Social Anthropology and Archaeology. She has had a long career in media, having been Managing Director of Reed Elsevier's international education division, during which time she was Publisher of the African Writers Series; Enterprise Director of the Telegraph Group; Managing Director of PR Newswire, a division of United Business Media; and later spent two years on a national newspaper start-up in Britain. She joined AKFED in September 2006 as Media Director, responsible for the Fund's media investments. She is also a Non-Executive Director of Art First, a gallery in Cork Street (United Kingdom). She serves on the Remuneration and the Editorial Committees.

Mr Stephen Gitagama, holds a Bachelor of Commerce (Accounting) from the University of Nairobi and is a Certified Public Accountant of Kenya (CPA). He joined the Company as the Group Finance Director on 1st September 2007 and was appointed to the Board in March 2008. He previously worked with East African Breweries Limited as a Finance Director. Mr. Gitagama is a director of the Group's subsidiary companies.

Mr Wilfred Kiboro, holds a Bachelor of Science (Civil Engineering) from the University of Nairobi and retired as the Group Chief Executive Officer on 31st October 2006 after working for the company for thirteen years. He was appointed a non-executive director in December 2006. He serves on the Strategic Planning and Nominations committees. Mr Kiboro is a director of East African Breweries Limited, Standard Chartered Bank Kenya Limited and Chairman of Wilfay Investments Limited.

Prof. Lee Huebner, is Director of the School of Media and Public Affairs at The George Washington University in Washington, D.C. (USA). He was formerly a professor at Northwestern University and also served as Chief Executive Officer of the International Herald Tribune in Paris for fourteen years. He joined the board in December 1995. Prof. Huebner is the Chairman of the Strategic Planning Committee and serves on the Nominations Committee.

Mr James Kinyua (Company Secretary), holds a Bachelor of Laws (Hons.) from the University of Sheffield (United Kingdom) and a Bachelor of Arts (Political Science) from York University (Canada). He is an Advocate of the High Court of Kenya and is also a Certified Public Secretary of Kenya (CPS). He was appointed the Company Secretary in July 1998 and heads the Legal and Share Registry department. He is a director of the Group's subsidiary companies.

Mr James Kinyua

Board of Directors

Chairman (Ugandan)	M J Aliker	Mwenyekiti (Muganda)
(Kenyan) Resigned 2 May 2007	H H O Awori	(Mkenya) Alijiuzulu 2 Mei 2007
Chief Executive/ Managing (Kenyan)	L W Gitahi	Mrasimu Mkuu/Msimamizi (Mkenya)
(Kenyan)	A Bekah	(Mkenya)
(French) Resigned 31 May 2007	D d'Acremont	(Mfaransa) Alijiuzulu 31 Mei 2007
(Kenyan) Resigned 31 December 2007	D Aluanga	(Mkenya) Alijiuzulu 31 Desemba 2007
(Kenyan) Appointed 13 March 2008	S Gitagama	(Mkenya) Aliteuliwa 13 Machi 2008
(American)	L Huebner	(Muamerikani)
(Kenyan)	W D Kiboro	(Mkenya)
(British)	J Lee	(Mwingereza)
(Tanzanian)	A Mufuruki	(Mtanzania)
(Kenyan)	F O Okello	(Mkenya)
(French)	A Poonawala	(Mfaransa)
(British) Appointed 1 June 2007	V Unwin	(Mwingereza) Aliteuliwa 1 Juni 2007
(Irish)	G M Wilkinson	(Mwa-Irish)
Secretary	J C Kinyua	Katibu
Registered Office	Nation Centre Kimathi Street *P O Box 49010 00100* Nairobi	Afisi Ilikoandikishwa
Advocates	Kaplan & Stratton George Williamson House 4th Ngong Avenue *Nairobi*	*Wakili*
Auditors	PricewaterhouseCoopers *The Rahimtulla Tower* Upper Hill Road Nairobi	Wakaguzi wa Hesabu
Bankers	Standard Chartered Bank 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 31st December 2007, which disclose the state of affairs of Nation Media Group Limited (the company) and its subsidiaries (together the Group).

PRINCIPAL ACTIVITIES

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

GROUP RESULTS

The results of the Group for the year are set out in the profit and loss account on page 28.

DIVIDENDS

The directors recommend the payment of a final dividend of Kshs.7.50 per share (150%) on the issued share capital at 31st December 2007, which together with the interim dividend of Kshs.3.00 per share (60%) paid on 15th September 2007, makes a total of Kshs.10.50 per share (210%) in respect of the year ended 31st December 2007.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 22.

Ms V Unwin was appointed to the board on 1st June 2007 and Mr S Gitagama was appointed to the board on 13th March 2008 and they both retire as directors in accordance with Article 96 of the Company's Articles of Association and being eligible, offer themselves for election.

Mr F O Okello and Mr J Lee are directors who retire by rotation in accordance with Article 110 of the Company's Articles of Association, and being eligible, offer themselves for re-election.

Dr M J Aliker, a director who retires in accordance with Article 101 of the Company's Articles of Association and who is over the age of 70, shall notwithstanding that fact, be re-elected as a director of the Company for a further period of one year.

SHARE SPLIT

The directors, recommend to the shareholders for approval, that the authorised share capital of the company comprising of the 120,000,000 ordinary shares of Kshs.5.00 each, be sub-divided in the ratio of 2:1 into 240,000,000 ordinary shares of Kshs.2.50 each, all ranking *pari passu* in all respects.

EMPLOYEE SHARE OWNERSHIP SCHEME

The directors, subject to the approval of the Capital Markets Authority, recommend to the shareholders for approval the establishment of an Employee Share Ownership Scheme to be established under a Trust Deed and Rules and further to grant authority to the directors to appoint and remove the Trustees of the Trust and to allot 4,000,000 ordinary shares of Kshs.2.50 each at the par value of the shares from the unissued shares in the authorised share capital of the company, to the Employee Share Ownership Scheme to be held in Trust for the benefit of the employees of the company. The shares allotted to the Employee Share Ownership Scheme shall rank pari passu with the existing issued ordinary shares of the company, but shall not qualify for payment of the final dividend for the year 2007.

AUDITORS

The company's auditors PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap 486) Laws of Kenya.

By order of the Board
J C Kinyua
Secretary

13 March 2008

Taarifa ya Wakurugenzi

Wakurugenzi wana furaha ya kutangaza taarifa yao pamoja na taarifa za hesabu zilizokaguliwa za mwaka uliomalizika Desemba 31, 2007, ambazo zinaonyesha hali ya mambo ya wanachama na kampuni ilivyo kwa sasa.

SHUGHULI KUU

Biashara kuu za kampuni ni pamoja na machapisho, uchapishaji na usambazaji wa magazeti na majarida, na utangazaji wa radio na runinga kwenye Nchi za Afrika Mashariki ikiwemo Kenya, Uganda na Tanzania.

MATOKEO YA KAMPUNI

Matokeo ya kampuni ya mwaka uliopita yamefafanuliwa katika hesabu za faida na hasara katika ukurasa wa 28.

MGAWO

Wakurugenzi walipendekeza malipo ya mgawo wa mwisho wa Shilingi 7.50 kwa kila hisa (asilimia 150) kutokana na mtaji wa hisa zilizotolewa kufikia 31 Desemba 2007, ambao ni pamoja na mgawo wa katikati wa Shilingi 3.00 (asilimia 60) uliolipwa tarehe 15 Septemba 2007, unaofikisha jumla ya shilingi 10.50 kwa kila hisa (asilimia 210) ikilinganishwa na mwaka uliotangulia kufikia tarehe 31 Desemba 2007.

WAKURUGENZI

Wakurugenzi waliohudumu mwakani hadi wakati huu wa kuchapishwa kwa taarifa hii ni kama walivyo katika orodha iliyochapishwa katika ukurasa wa 22.

Bi V Unwin aliteuliwa kwenye kamati ya wakurugenzi tarehe 1 Juni 2007, na Bwana S Gitagama aliteuliwa kwenye kamati tarehe 13 Machi 2008 na wote watastaafu kama wakurugenzi kulingana na Kifungu 96 cha Kanuni za Msingi za Ushirikiano wa kampuni na kwa kuwa wanastahili wanajitolea kwa uchaguzi.

Bwana F. O. Okello na Bw. J Lee, wakurugenzi wanaostaafu kwa zamu kulingana na Kifungu 110 cha kanuni za Msingi za Ushirikiano wa kampuni wanastahili, na wanajitolea kwa uchaguzi tena.

Mkurugenzi Dkt. M J Aliker ambaye anastaafu kulingana na Kifungu 101 cha kanuni za Msingi za Ushirikiano wa kampuni ambaye amefikia umri wa zaidi ya miaka 70, licha ya maelezo hayo, ataweza kuchaguliwa tena kama mkurugenzi wa kampuni kwa kipindi cha mwaka mmoja ujao.

MGAWO WA HISA

Wakurugenzi wanapendekeza, kwa wenye hisa kuthibitisha, kuwa hisa za mtaji za kampuni zilizoruhusiwa zinahusisha hisa 120,000,000 za kawaida za shilingi 5.00 kwa kila hisa, itagawanywa katika uwiano wa 2 kwa 1 kwenye hisa 240,000,000 za kawaida za shilingi 2.50 kila hisa, viwango vyote vitalingania sawasawa.

MRADI WA UMILIKI WA HISA ZA WAFANYIKAZI

Wakurugenzi, kutokana na kwamba tumethibitishwa na Mamlaka ya Soko la Mtaji, wanapendekeza kwa wenye hisa kuthibitisha kuanzisha Mradi wa Umiliki wa Hisa za Wafanyikazi kuanzishwa chini ya Hati ya kuhamishia mali kwa mdhamini, taratibu na zaidi ya hayo wawe na uwezo wa kuteua na kuondoa wadhamini wa udhamini na kutenga hisa 4,000,000 za kawaida za shilingi 2.50 kwa kila hisa kwa bei yake, kutoka kwenye hisa ambazo hazijatolewa kwa hisa za mtaji wa kampuni zilizoruhusiwa, kwenye Mradi wa Umiliki wa Hisa za Wafanyikazi utakaofanywa kudhamini ili kuwafaidisha wafanyikazi wa kampuni. Kwamba zile hisa zilizotengwa kwenye Mradi wa Umiliki wa Hisa za Wafanyikazi zitaambatanishwa sawasawa na hisa zilizoko za kawaida zilizotolewa za kampuni, lakini hazitakuwa na uwezo wa kupata malipo ya mgawo wa mwisho wa mwaka wa 2007.

WAKAGUZI WA HESABU

Wakaguzi wa hesabu za kampuni, PricewaterhouseCoopers, wameonyesha ukakamavu wao wa kujitolea kuendelea na ofisi yao kwa mujibu wa kifungu 159(2) cha kampuni kitengo cha 486 kwenye sheria za Kenya.

Kwa amri ya Halmashauri
J C Kinyua
Katibu

Machi 13 2008

Statement of Directors' Responsiblities

The Kenyan 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 Group and of the company as 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 financial statements which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of the Group's profit or loss in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as designing, implementing and maintianing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.

M J Aliker

S Gitagama

13 March 2008

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Nation Media Group Limited (the company) and its subsidiaries (together, the Group), as set out on pages 28 to 55. These financial statements comprise the consolidated balance sheet at 31 December 2007 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the company standing alone as at 31 December 2007 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the accompanying 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 2007 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

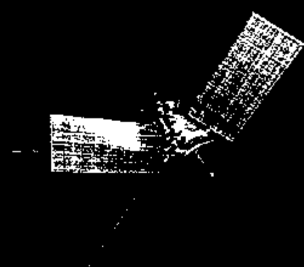
REPORT ON OTHER LEGAL REQUIREMENTS

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;
iii) the company's balance sheet is in agreement with the books of account.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
13 March 2008
Nairobi



Financial Statements 2007

Group Profit and Loss Account

Nation Media Group Limited Financial Statements for the year ended 31 December 2007

	Note	2007 Shs m	2006 Shs m
Sales	5	7,685.6	6,339.2
Cost of sales		(1,629.5)	(1,426.4)
Gross profit		6,056.1	4,912.8
Distribution costs		(234.2)	(210.7)
Administrative expenses		(752.7)	(744.4)
Other operating expenses		(3,557.2)	(2,892.1)
Operating profit	6	1,512.0	1,065.6
Finance income	8	104.3	75.6
Finance costs	8	(48.1)	(16.5)
Share of profit after income tax of associate	18	33.4	26.1
Profit before income tax		1,601.6	1,150.8
Income tax expense	9	(525.2)	(403.6)
Profit for the year		1,076.4	747.2
Attributable to:			
Equity holders of the company		1,089.6	783.2
Minority interest		(13.2)	(36.0)
		1,076.4	747.2
Basic earnings per share (Shs)	10	15.3	11.0
Dividends:		2007 Shs m	2006 Shs m
Interim dividend – paid in the year	24	213.9	142.6
Proposed special dividend	24	-	356.5
Proposed final dividend for the year	24	534.8	356.5
		748.7	855.6

Balance Sheet

	Note	Group 2007 Shs m	Group 2006 Shs m	Company 2007 Shs m	Company 2006 Shs m
CAPITAL EMPLOYED					
Capital and reserves attributable to equity holders					
Share capital	11	356.5	356.5	356.5	356.5
Other reserves	12	77.9	4.7	77.0	-
Retained earnings		2,854.6	2,513.7	2,896.2	2,510.6
Proposed dividends	24	534.8	713.0	534.8	713.0
		3,823.8	3,587.9	3,864.5	3,580.1
Minority interest		(87.8)	(91.2)	-	-
Total equity		3,736.0	3,496.7	3,864.5	3,580.1
Non-current liabilities					
Long term borrowings	13	204.5	341.0	-	-
Deferred income tax liabilities	14	62.7	17.9	79.9	28.4
		267.2	358.9	79.9	28.4
Total equity and non current liabilities		4,003.2	3,855.6	3,944.4	3,608.5
Non-current assets					
Property, plant and equipment	15	1,772.5	1,634.7	1,379.2	1,254.4
Intangible assets	16	86.9	54.6	59.5	30.6
Prepaid operating lease rentals	17	90.5	91.5	51.4	52.1
Investment in associates	18	334.3	306.4	94.6	94.6
Investment in subsidiaries	19	-	-	399.4	48.8
		2,284.2	2,087.2	1,984.1	1,480.5
Current assets					
Inventories	20	391.1	560.6	314.7	499.3
Receivables and prepayments	21	1,300.4	963.1	1,190.6	1,074.1
Cash and cash equivalents	22	1,915.4	1,681.1	1,848.7	1,643.8
Current income tax		7.5	-	7.6	-
		3,614.4	3,204.8	3,361.6	3,217.2
Current liabilities					
Payables and accrued expenses	23	1,811.0	1,372.1	1,401.3	1,036.9
Borrowings	13	82.0	13.2	-	-
Current income tax		2.4	51.1	-	52.3
		1,895.4	1,436.4	1,401.3	1,089.2
Net current assets		1,719.0	1,768.4	1,960.3	2,128.0
		4,003.2	3,855.6	3,944.4	3,608.5

The financial statements on pages 28 to 55 were approved for issue by the board of directors on 13 March 2008 and signed on its behalf by

M J Aliker

S Gitagama

Group Cash Flow Statement

Nation Media Group Limited Financial Statements for the year ended 31 December 2007

	Note	2007 Shs m	2006 Shs m
Operating activities			
Cash generated from operations	26	2,130.5	1,337.5
Interest received	80	104.3	75.6
Interest paid	8	(48.1)	(16.5)
Tax paid		(558.0)	(239.1)
Net cash from operating activities		1,628.7	1,157.5
Investing activities			
Purchase of property, plant and equipment	15	(400.4)	(346.8)
Purchase of intangible asset	16	(46.3)	(18.7)
Proceeds from the sale of property, plant and equipment		33.3	24.7
Capital contribution by minority shareholders		17.5	-
Dividends received	18	5.5	4.8
Net cash used in investing activities		(390.4)	(336.0)
Financing activities			
Net proceeds from borrowings		-	354.2
Repayment of borrowings		(67.7)	-
Dividend paid		(926.9)	(499.1)
Net cash used in financing activities		(994.6)	(144.9)
Increase in cash and cash equivalents		243.7	676.6
Movement in cash and cash equivalents			
At start of year		1,681.1	953.7
Increase		243.7	676.6
Effect of exchange rate changes on cash and cash equivalents		(9.4)	50.8
At end of year		1,915.4	1,681.1

Balance Sheet

	Note	Group 2007 Shs m	Group 2006 Shs m	Company 2007 Shs m	Company 2006 Shs m
CAPITAL EMPLOYED					
Capital and reserves attributable to equity holders					
Share capital	11	356.5	356.5	356.5	356.5
Other reserves	12	77.9	4.7	77.0	-
Retained earnings		2,854.6	2,513.7	2,896.2	2,510.6
Proposed dividends	24	534.8	713.0	534.8	713.0
		3,823.8	3,587.9	3,864.5	3,580.1
Minority interest		(87.8)	(91.2)	-	-
Total equity		3,736.0	3,496.7	3,864.5	3,580.1
Non-current liabilities					
Long term borrowings	13	204.5	341.0	-	-
Deferred income tax liabilities	14	62.7	17.9	79.9	28.4
		267.2	358.9	79.9	28.4
Total equity and non current liabilities		4,003.2	3,855.6	3,944.4	3,608.5
Non-current assets					
Property, plant and equipment	15	1,772.5	1,634.7	1,379.2	1,254.4
Intangible assets	16	86.9	54.6	59.5	30.6
Prepaid operating lease rentals	17	90.5	91.5	51.4	52.1
Investment in associates	18	334.3	306.4	94.6	94.6
Investment in subsidiaries	19	-	-	399.4	48.8
		2,284.2	2,087.2	1,984.1	1,480.5
Current assets					
Inventories	20	391.1	560.6	314.7	499.3
Receivables and prepayments	21	1,300.4	963.1	1,190.6	1,074.1
Cash and cash equivalents	22	1,915.4	1,681.1	1,848.7	1,643.8
Current income tax		7.5	-	7.6	-
		3,614.4	3,204.8	3,361.6	3,217.2
Current liabilities					
Payables and accrued expenses	23	1,811.0	1,372.1	1,401.3	1,036.9
Borrowings	13	82.0	13.2	-	-
Current income tax		2.4	51.1	-	52.3
		1,895.4	1,436.4	1,401.3	1,089.2
Net current assets		1,719.0	1,768.4	1,960.3	2,128.0
		4,003.2	3,855.6	3,944.4	3,608.5

The financial statements on pages 28 to 55 were approved for issue by the board of directors on 13 March 2008 and signed on its behalf by

M J Aliker

S Gitagama

Group Statement of Changes in Equity

	Note	Attributable to equity holders of the company				Minority interest	Total equity
		Share capital	Other reserves	Retained earnings	Proposed dividends		
		Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Year ended 31 December 2006							
At start of year		356.5	(9.3)	2,586.1	356.5	(59.1)	3,230.7
Currency translation differences		-	14.0	-	-	3.9	17.9
Net gains recognised directly in equity		-	14.0	-	-	3.9	17.9
Profit/(loss) for the year		-	-	783.2	-	(36.0)	747.2
Total recognised income for 2006		-	14.0	783.2	-	(32.1)	765.1
Dividends:							
- final for 2005 paid		-	-	-	(356.5)	-	(356.5)
- interim for 2006 paid	24	-	-	(142.6)	-	-	(142.6)
- proposed special for 2006	24	-	-	(356.5)	356.5	-	-
- proposed final for 2006	24	-	-	(356.5)	356.5	-	-
At end of year		356.5	4.7	2,513.7	713.0	(91.2)	3,496.7
Year ended 31 December 2007							
At start of year		356.5	4.7	2,513.7	713.0	(91.2)	3,496.7
Revaluation gain		-	110.0	-	-	-	110.0
Deferred tax on revaluation		-	(33.0)	-	-	-	(33.0)
Currency translation differences		-	(3.8)	-	-	(0.9)	(4.7)
Net gains recognised directly in equity		-	73.2	-	-	(0.9)	72.3
Capital contribution		-	-	-	-	17.5	17.5
Profit/(loss) for the year		-	-	1,089.6	-	(13.2)	1,076.4
Total recognized income for 2007		-	73.2	1,089.6	-	3.4	1,166.2
Dividends:							
- special for 2006 paid		-	-	-	(356.5)	-	(356.5)
- final for 2006 paid	24	-	-	-	(356.5)	-	(356.5)
- interim for 2007 paid	24	-	-	(213.9)	-	-	(213.9)
- proposed final for 2007	24	-	-	(534.8)	534.8	-	-
At end of year		356.5	77.9	2,854.6	534.8	(87.8)	3,736.0

Company Statement of Changes in Equity

Nation Media Group Limited Financial Statements for the year ended 31 December 2007

	Note	Share capital Shs m	Revaluation reserve Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total equity Shs m
Year ended 31 December 2006						
At start of year		356.5	13.7	2,569.0	356.5	3,295.7
Transfer of excess depreciation		-	(19.6)	19.6	-	-
Deferred tax on transfer		-	5.9	(5.9)	-	-
Net gains/(losses) recognised directly in equity		-	(13.7)	13.7	-	-
Profit for the year		-	-	783.5	-	783.5
Total recognized income for 2006		-	(13.7)	797.2	-	783.5
Dividends:						
- final for 2005 paid		-	-	-	(356.5)	(356.5)
- interim for 2006 paid	24	-	-	(142.6)	-	(142.6)
- proposed special for 2006	24	-	-	(356.5)	356.5	-
- proposed final for 2006	24	-	-	(356.5)	356.5	-
At end of year		356.5	-	2,510.6	713.0	3,580.1
Year ended 31 December 2007						
At start of year		356.5	-	2,510.6	713.0	3,580.1
Revaluation gain		-	110.0	-	-	110.0
Deferred tax on revaluation		-	(33.0)	-	-	(3[illegible]0)
Net gains/(losses) recognised directly in equity		-	77.0	-	-	77.0
Profit for the year		-	-	1,134.3	-	1,134.3
Total recognized income for 2007		-	77.0	1,134.3	-	1,211.3
Dividends:						
- special for 2006 paid		-	-	-	(356.5)	(356.5)
- final for 2006 paid	24	-	-	-	(356.5)	(356.5)
- interim for 2007 paid	24	-	-	(213.9)	-	(213.9)
- proposed final for 2007	24	-	-	(534.8)	534.8	-
At end of year		356.5	77.0	2,896.2	534.8	3,864.5

Group Cash Flow Statement

	Note	2007 Shs m	2006 Shs m
Operating activities			
Cash generated from operations	26	2,130.5	1,337.5
Interest received	80	104.3	75.6
Interest paid	8	(48.1)	(16.5)
Tax paid		(558.0)	(239.1)
Net cash from operating activities		1,628.7	1,157.5
Investing activities			
Purchase of property, plant and equipment	15	(400.4)	(346.8)
Purchase of intangible asset	16	(46.3)	(18.7)
Proceeds from the sale of property, plant and equipment		33.3	24.7
Capital contribution by minority shareholders		17.5	-
Dividends received	18	5.5	4.8
Net cash used in investing activities		(390.4)	(336.0)
Financing activities			
Net proceeds from borrowings		-	354.2
Repayment of borrowings		(67.7)	-
Dividend paid		(926.9)	(499.1)
Net cash used in financing activities		(994.6)	(144.9)
Increase in cash and cash equivalents		243.7	676.6
Movement in cash and cash equivalents			
At start of year		1,681.1	953.7
Increase		243.7	676.6
Effect of exchange rate changes on cash and cash equivalents		(9.4)	50.8
At end of year		1,915.4	1,681.1

1 General information

Nation Media Group Limited is incorporated in Kenya under the Kenya Companies Act as a public limited liability company, and is domiciled in Kenya. The address of its registered office is:

Nation Media Group Limited
Nation Centre
Kimathi Street
P O Box 49010 00100
Nairobi

The company's shares are listed on the Nairobi Stock Exchange.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised standards

In 2007, the following new and revised standards and interpretations became effective for the first time and have been adopted by the Group where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

- *IAS 1 Amendment, Capital Disclosures*. The amendment to IAS 1 introduces disclosures about the level of the Group's capital and how it manages capital

- *IFRS 7*, Financial Instruments: Disclosures. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification or measurement of the Group's financial instruments.

Standards, interpretations and amendments to published standards that are not yet effective

The following amendment to an existing standard and new standard and interpretations will be mandatory for the Group's accounting periods beginning on or after 1 January 2008, but which the Group has not early adopted:

- *IFRIC 11 – Group and Treasury Share Transactions – from 1 January 2008*
- *IFRIC 12 – Service Concession Arrangements – from 1 January 2008*
- *IFRS 8 – Operating segments – from 1 January 2009*
- *IAS 23 – Borrowing costs (revised) – from 1 January 2009.*

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group, other than IFRS 8, which will result in changes to the reportable segments and the information disclosed in respect of those segments.

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 18).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to 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. Freehold land is not depreciated.

2 Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation on other assets is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life. The annual rates used for this purpose are as follows:

Buildings	40 years
Plant and equipment	2 – 40 years

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) Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Revenue recognition

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

Revenue is recognised as follows:

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

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

(iii) Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

(f) Inventories

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

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of 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 present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2 Summary of significant accounting policies (continued)

(h) Leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the profit and loss account over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

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

(i) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for purposes of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each reporting segment.

(ii) Computer software

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

2 Summary of significant accounting policies (continued)

(k) Employee benefits

(i) Retirement benefit obligations

The Group operates a defined contribution retirement benefit scheme for its employees. A defined contribution scheme is one under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and employees.

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

(ii) Other entitlements

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

(l) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances in foreign entities

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(iii) Consolidation of Group entities

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets

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

(n) Dividends

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

(o) Comparatives

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

(p) Payables

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

(q) Share capital

Ordinary shares are classified as equity.

(r) Cash and cash equivalents

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

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Provisions

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

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

2 Summary of significant accounting policies (continued)

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

3 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 East Africa to hedge against such risks.

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

(a) Market risk

(i) Foreign exchange risk

The Group makes significant purchases of raw materials in foreign currency, principally newsprint, inks and plates used in newspaper production, and TV programming used in broadcasting. This exposes the Group to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. The Group manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities by forward contracts, but has not designated any derivative instruments as hedging instruments. There were no material foreign denominated receivable nor payable balances as at 31 December 2007.

(b) Credit risk

Credit risk arises from cash equivalents as well as trade and other receivables. Neither the Group nor company has significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

Credit risk is managed on a Group basis. The Group Credit Controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The following are balances subject to credit risk as at 31 December.

	Group		Company	
	2007	2006	2007	2006
	Shs m	Shs m	Shs m	Shs m
Cash and cash equivalents	1,915.4	1,681.1	1,848.7	1,643.8
Trade receivables	903.6	695.7	679.1	510.6
Loans to related companies	-	-	231.3	351.5
Loans to directors	8.0	7.1	8.0	7.1
Other receivables	388.8	260.3	272.2	204.9
	3,215.8	2,644.2	3,039.3	2,717.9

4 Critical accounting estimates and judgements (continued)

(ii) Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates are set out in Note 2 (c).

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

Management exercises significant judgement in making provisions on contingent liablities.

5 Segmental reporting

(a) Primary reporting format - business

At 31 December 2007, the Group was organised within the region into two main business segments:

i) Newspapers and magazines; and
ii) Broadcasting

Other Group operations mainly comprise courier and third party printing services. Neither of these constitute a separately reportable segment.

	Newspapers & Magazines		Broadcasting		Group	
	2007 Shs m	2006 Shs m	2007 Shs m	2006 Shs m	2007 Shs m	2006 Shs m
Sales	6,826.8	5,706.2	858.8	633.0	7,685.6	6,339.2
Allocated costs	(5,103.5)	(4,402.6)	(761.0)	(524.9)	(5,864.5)	(4,927.5)
Segment results	1,723.3	1,303.6	97.8	108.1	1,821.1	1,411.7
Other operating income					104.3	75.6
Unallocated costs					(309.1)	(346.1)
Operating profit					1,616.3	1,141.2
Finance costs					(48.1)	(16.5)
Share of results of associate					33.4	26.1
Profit before income tax					1,601.6	1,150.8
Income tax expense					(525.2)	(403.6)
Profit for the year					1,076.4	747.2
Attributable to:						
Equity holders of the company					1,089.6	783.2
Minority interest					(13.2)	(36.0)
					1,076.4	747.2

(d) Capital risk management

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt as shown below:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs m	**Shs m**	**Shs m**	**Shs m**
Total borrowings	286.5	354.2	-	-
Less: cash and cash equivalents	(1,915.4)	(1,681.1)	(1,848.7)	(1,643.8)
Net debt	(1,628.9)	(1,326.9)	(1,848.7)	(1,643.8)
Total equity	3,736.0	3,496.7	3,864.5	3,580.1
Total capital	2,107.1	2,169.8	2,015.8	1,936.3

The cash balances held by the Group were in excess of the borrowings as at year end resulting into a negative net debt, computation of gearing ratios will be misleading.

4 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether land and buildings meet the criteria to be classified as investment property
- whether assets are impaired.

(i) Income taxes

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

4 Critical accounting estimates and judgements (continued)

(ii) Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates are set out in Note 2 (c).

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

Management exercises significant judgement in making provisions on contingent liabilities.

5 Segmental reporting

(a) Primary reporting format - business

At 31 December 2007, the Group was organised within the region into two main business segments:

i) Newspapers and magazines; and
ii) Broadcasting

Other Group operations mainly comprise courier and third party printing services. Neither of these constitute a separately reportable segment.

	Newspapers & Magazines		Broadcasting		Group	
	2007 Shs m	**2006 Shs m**	**2007 Shs m**	**2006 Shs m**	**2007 Shs m**	**2006 Shs m**
Sales	6,826.8	5,706.2	858.8	633.0	7,685.6	6,339.2
Allocated costs	(5,103.5)	(4,402.6)	(761.0)	(524.9)	(5,864.5)	(4,927.5)
Segment results	1,723.3	1,303.6	97.8	108.1	1,821.1	1,411.7
Other operating income					104.3	75.6
Unallocated costs					(309.1)	(346.1)
Operating profit					1,616.3	1,141.2
Finance costs					(48.1)	(16.5)
Share of results of associate					33.4	26.1
Profit before income tax					1,601.6	1,150.8
Income tax expense					(525.2)	(403.6)
Profit for the year					1,076.4	747.2
Attributable to:						
Equity holders of the company					1,089.6	783.2
Minority interest					(13.2)	(36.0)
					1,076.4	747.2

5 Segmental reporting (continued)

Other segments items included in the income statement are as follows:

	Newspapers & Magazines		Broadcasting		Group	
	2007 Shs m	2006 Shs m	2007 Shs m	2006 Shs m	2007 Shs m	2006 Shs m
Depreciation	243.1	231.1	90.7	68.9	333.8	300.0
Amortisation	14.1	9.4	1.1	0.2	15.2	9.6
Provision for impairment of receivables	99.1	125.3	18.6	20.0	117.7	145.3

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

	Newspapers & Magazines		Broadcasting		Group	
	2007 Shs m	2006 Shs m	2007 Shs m	2006 Shs m	2007 Shs m	2006 Shs m
Segment assets	4,817.7	4,355.4	746.6	630.2	5,564.3	4,985.6
Investment in associates					334.3	306.4
					5,898.6	5,292.0
Segment liabilities	1,636.0	1,290.5	175.0	81.6	1,811.0	1,372.1
Capital expenditure	370.4	243.9	76.3	121.6	446.7	365.5

(b) Secondary reporting format – geographical segements

The directors consider the East African countries in which the Group operates as one geographical segment because of similarities in the risks and returns in the three countries.

6 Operating profit

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

	2007 Shs m	2006 Shs m
Depreciation of property, plant and equipment (Note 15)	333.8	300.0
Repairs and maintenance expenditure on property, plant and equipment	52.5	44.1
Amortisation of intangible assets (Note 16)	14.0	8.3
(Profit)/loss on disposal of property, plant and equipment	(1.6)	(16.6)
Operating lease rentals - office buildings	79.0	72.5
- leasehold land (Note 17)	1.2	1.3
Trade receivables - provision for impairment	117.7	145.3
Employee benefits expense (Note 7)	2,318.5	1,853.1
Inventories expensed	1,559.4	1,344.6
Auditors' remuneration: Group	8.8	7.5
: Company	5.3	4.8

7 Employee benefits expense

	2007 Shs m	2006 Shs m
Salaries and wages	2,224.6	1,753.8
Nation Social Security Fund	34.6	27.2
Leave pay provision	2.3	5.4
Retirement benefits costs - defined contribution scheme	57.0	66.7
	2,318.5	1,853.1

8 Finance income / (costs)

Interest income	104.3	75.6
Interest expense	(48.1)	(16.5)
Net finance income	56.2	59.1

9 Income tax expense

Current income tax	513.4	422.8
Deferred income tax (Note 14)	11.8	(19.2)
	525.2	403.6

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

	2007 Shs m	**2006 Shs m**
Profit before income tax	1,601.6	1,150.8
Tax calculated at the statutory income tax rates of 30%	480.5	345.2
Tax effect of:		
Income not subject to tax	(1.6)	(1.4)
Expenses not deductible for tax purposes	48.8	67.0
Under/(over) provision of current income tax in prior year	(2.5)	-
Deferred tax asset not recognised	-	(7.2)
Income tax expense	525.2	403.6

10 Earnings per share

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

	2007	**2006**
Net profit attributable to shareholders (Shs million)	1,089.6	783.2
Weighted average number of ordinary shares in issue (million)	71.3	71.3
Basic earnings per share (Shs)	15.3	11.0

There were no potentially dilutive ordinary shares outstanding as at 31 December 2007 or 2006. Diluted earnings per share is therefore the same as basic earnings per share.

11 Share capital

	Number of shares (million) 2007	Number of shares (million) 2006	Ordinary shares Shs m 2007	Ordinary shares Shs m 2006
Authorised	120	120	600	600
Issued and fully paid				
As at 1 January	71.3	71.3	356.5	356.5
Balance as at 31 December	71.3	71.3	356.5	356.5

The total authorised number of ordinary shares is 120 million with a par value of Shs.5.00 per share. All issued shares are fully paid.

12 Other reserves

The movement in other reserves is as follows:

	Revaluation reserve Shs m	Currency translation Shs m	Total Shs m
Group			
As at 1 January 2006	-	(9.3)	(9.3)
Currency translation differences	-	14.0	14.0
Balance as at 31 December 2006	-	4.7	4.7
As at 1 January 2007	-	4.7	4.7
Revaluation gain	110.0	-	110.0
Deferred tax on revaluation	(33.0)	-	(33.0)
Currency translation differences	-	(3.8)	(3.8)
Balance as at 31 December 2007	77.0	0.9	77.9

Company

The company's other reserves relate to revaluation surpluses, net of deferred income tax, arising from the revaluation of buildings as shown in the company's statement of changes in equity. Revaluation reserves are non-distributable.

13 Borrowings

	Group 2007 Shs m	Group 2006 Shs m
Current		
Bank borrowings	70.9	13.2
Bank overdraft	11.1	-
	82.0	13.2
Non current		
Bank borrowings	204.5	341.0
Total borrowings	286.5	354.2

The bank borrowings are secured by a 100% comprehensive corporate guarantee from Nation Media Group Limited.
The weighted average effective interest rates at the balance sheet date were as follows:

	2007 Shs m	2006 Shs m
Bank loan	15.43%	11.58%

In the opinion of the directors, the carrying amounts of short-term borrowings approximate to their fair value. Fair values are based on discounted cashflows using a discount rate based upon the borrowing rate that directors expect should be available to the Group at the balance sheet date. In the opinion of the directors, it is impracticable to assign fair values to the Group's long-term debt liabilities due to inability to forecast interest rate changes.

None of the borrowings was in default at any time during the year.

14 Deferred income tax

	Group 2007 Shs m	Group 2006 Shs m	Company 2007 Shs m	Company 2006 Shs m
At start of year	17.9	37.1	28.4	47.7
Charge/(credit) to the profit and loss account (Note 9)	11.8	(19.2)	18.5	(19.3)
Charge/(credit) to equity	33.0	-	33.0	-
At end of year	62.7	17.9	79.9	28.4

Deferred income tax (continued)

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

	1.1.07 Shs m	Charged (credited) to P & L Shs m	Charged (credited) to equity Shs m	31.12.07 Shs m
Group				
Deferred income tax liabilities				
Property, plant and equipment	115.4	29.6	33.0	178.0
Deferred income tax assets				
Provisions	(97.5)	(17.8)	-	(115.3)
Net deferred income tax liability/(asset)	17.9	11.8	33.0	62.7
Net deferred income tax liability	17.9	11.8	33.0	62.7
Company				
Deferred income tax liabilities				
Property, plant and equipment	93.8	32.6	33.0	159.4
Deferred income tax assets				
Provisions	(65.4)	(14.1)	-	(79.5)
Net deferred income tax liability	28.4	18.5	33.0	79.9

15 Property, plant and equipment

Group	Freehold land Shs m	Buildings Shs m	Plant and equipment Shs m	Total Shs m
As at 1 January 2006				
Cost or valuation	6.4	352.5	3,101.7	3,460.6
Accumulated depreciation	-	(59.1)	(1,778.5)	(1,837.6)
Net book value	6.4	293.4	1,323.2	1,623.0
Year ended 31 December 2006				
Opening net book amount	6.4	293.4	1,323.2	1,623.0
Additions	-	3.4	343.4	346.8
Disposals	-	-	(8.1)	(8.1)
Depreciation charge	-	(6.1)	(293.9)	(300.0)
Currency translation differences	-	(11.0)	(16.0)	(27.0)
Closing net book value	6.4	279.7	1,348.6	1,634.7
At 31 December 2006				
Cost or valuation	6.4	344.3	3,385.4	3,736.1
Accumulated depreciation	-	(64.6)	(2,036.8)	(2,101.4)
Net book value	6.4	279.7	1,348.6	1,634.7
As at 1 January 2007				
Cost or valuation	6.4	344.3	3,385.4	3,736.1
Accumulated depreciation	-	(64.6)	(2,036.8)	(2,101.4)
Net book value	6.4	279.7	1,348.6	1,634.7
Year ended 31 December 2007				
Opening net book value	6.4	279.7	1,348.6	1,634.7
Revaluation	-	53.3	-	53.3
Write-down	-	(2.2)	-	(2.2)
Additions	-	0.6	399.8	400.4
Disposals	-	-	(31.7)	(31.7)
Depreciation charge	-	(7.7)	(326.1)	(333.8)
Reversal of accumulated dep. on revaluation	-	56.7	-	56.7
Currency translation differences	-	(1.2)	(3.7)	(4.9)
Closing net book value	6.4	379.2	1,386.9	1,772.5
As at 31 December 2007				
Cost or valuation	6.4	394.7	3,567.6	3,968.7
Accumulated depreciation	-	(15.5)	(2,180.7)	(2,196.2)
Net book value	6.4	379.2	1,386.9	1,772.5

15 **Property, plant and equipment (continued)**

Company	**Freehold land Shs m**	**Buildings Shs m**	**Plant and equipment Shs m**	**Total Shs m**
As at 1 January 2006				
Cost or valuation	6.4	209.3	2,756.1	2,971.8
Accumulated depreciation	-	(49.6)	(1,645.5)	(1,695.1)
Net book value	6.4	159.7	1,110.6	1,276.7
Year ended 31 December 2006				
Opening net book amount	6.4	159.7	1,110.6	1,276.7
Additions	-	-	236.5	236.5
Disposals	-	-	(7.9)	(7.9)
Depreciation charge	-	(4.7)	(246.2)	(250.9)
Closing net book value	6.4	155.0	1,093.0	1,254.4
As at 31 December 2006				
Cost or valuation	6.4	209.3	2,965.4	3,181.1
Accumulated depreciation	-	(54.3)	(1,872.4)	(1,926.7)
Net book value	6.4	155.0	1,093.0	1,254.4
As at 1 January 2007				
Cost or valuation	6.4	209.3	2,965.4	3,181.1
Accumulated depreciation	-	(54.3)	(1,872.4)	(1,926.7)
Net book value	6.4	155.0	1,093.0	1,254.4
Year ended 31 December 2007				
Opening net book value	6.4	155.0	1,093.0	1,254.4
Revaluation	-	53.3	-	53.3
Write-down	-	(2.2)	-	(2.2)
Additions	-	0.6	300.9	301.5
Disposals	-	-	(26.0)	(26.0)
Depreciation charge	-	(4.8)	(253.7)	(258.5)
Reversal of accumulated depreciation on revaluation	-	56.7	-	56.7
Closing net book value	6.4	258.6	1,114.2	1,379.2
As at 31 December 2007				
Cost or valuation	6.4	261.0	3,071.8	3,339.2
Accumulated depreciation	-	(2.4)	(1,957.6)	(1,960.0)
Net book value	6.4	258.6	1,114.2	1,379.2

15 Property, plant and equipment (continued)

The Group's buildings on leasehold land were revalued at 31 December 2007 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 income tax, was credited to the revaluation reserve in shareholders' equity. The directors are of the opinion that the carrying value of the buildings approximates to their open market value at the year end.

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	Shs m	**Shs m**	**Shs m**	**Shs m**
Cost	314.7	314.1	166.2	165.6
Accumulated depreciation	(34.7)	(28.6)	(34.9)	(30.2)
Net book amount	280.0	285.5	131.3	135.4

16 Intangible assets

	Goodwill	Computer software	Total
Group	**Shs m**	**Shs m**	**Shs m**
As at 1 January 2006			
Cost	23.0	91.6	114.6
Accumulated depreciation	-	(70.4)	(70.4)
Net book value	23.0	21.2	44.2
Year ended 31 December 2006			
Opening net book value	23.0	21.2	44.2
Additions	-	18.7	18.7
Amortisation	-	(8.3)	(8.3)
Closing net book value	23.0	31.6	54.6
As at 31 December 2006			
Cost	23.0	110.3	133.3
Accumulated depreciation	-	(78.7)	(78.7)
Net book value	23.0	31.6	54.6
Year ended 31 December 2007			
Opening net book value	23.0	31.6	54.6
Additions	-	46.3	46.3
Amortisation	-	(14.0)	(14.0)
Closing net book value	23.0	63.9	86.9

16 Intangible assets (contiued)

	Goodwill Shs m	Computer software Shs m	Total Shs m
As at 31 December 2007			
Cost	23.0	156.6	179.6
Accumulated depreciation	-	(92.7)	(92.7)
Net book value	23.0	63.9	86.9
Company			
As at 1 January 2006			
Cost	-	90.7	90.7
Accumulated amortization	-	(70.1)	(70.1)
Net book value	-	20.6	20.6
Opening net book value	-	20.6	20.6
Additions	-	18.1	18.1
Amortisation	-	(8.1)	(8.1)
Closing net book value	-	30.6	30.6
As at 31 December 2006			
Cost	-	108.8	108.8
Accumulated amortization	-	(78.2)	(78.2)
Net book value	-	30.6	30.6
Year ended 31 December 2007			
Opening net book value	-	30.6	30.6
Additions	-	41.5	41.5
Amortisation	-	(12.6)	(12.6)
Closing net book value	-	59.5	59.5
As at 31 December 2007			
Cost	-	150.3	150.3
Accumulated amortization	-	(90.8)	(90.8)
Net book value	-	59.5	59.5

17 Prepaid operating lease rentals

	Group		Company	
	2007 Shs m	**2006 Shs m**	**2007 Shs m**	**2006 Shs m**
At start of year	91.5	98.7	52.1	52.8
Amortisation for the year	(1.2)	(1.3)	(0.7)	(0.7)
Currency translation differences	0.2	(5.9)	-	-
At end of year	90.5	91.5	51.4	52.1

18 Investment in associates

	Group 2007 Shs m	Group 2006 Shs m
At start of year	306.4	285.1
Share of profit before income tax	33.4	37.9
Share of income tax expense	-	(11.8)
	33.4	26.1
Dividends received	(5.5)	(4.8)
At end of year	334.3	306.4

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

The Group's interest in its principal associates, all of which are unlisted, were as follows:

	Country of incorporation	% interest held	Assets Shs m	Liabilities Shs m	Revenues Shs m	Profit/(loss) Shs m
Year 2006						
Property Development and Management Limited	Kenya	20%	2,067.3	535.3	230.2	189.4
Radio Uhuru Limited	Tanzania	49%	-	-	-	-
Year 2007						
Property Development and Management Limited	Kenya	20%	2,290.4	618.9	239.2	166.9
Radio Uhuru Limited	Tanzania	49%	-	-	-	-

There were no changes in the interest held in the associates during the year. Radio Uhuru Limited is non-trading and a full provision for impairment was made against the investment in prior years.

19 Investment in subsidiaries (at cost)

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

	Company country of incorporation	Holding %	2007 Shs m	2006 Shs m
Trading subsidiaries:				
Nation Marketing & Publishing Limited	Kenya	100.0	0.5	0.5
Monitor Publications Limited	Uganda	76.7	19.1	19.1
Mwananchi Communications Limited	Tanzania	60.0	70.9	44.8
Nation Holdings Tanzania Limited	Tanzania	100.0	150.5	7.7
Africa Broadcasting Uganda Limited	Uganda	100.0	181.7	-
East African Magazines Limited	Kenya	51.0	-	-
			422.7	72.1
Dormant subsidiaries:				
East African Televisions Network Limited	Kenya	100.0	17.0	17.0
Nation Carriers Limited	Kenya	100.0	3.0	3.0
Nation Infotech Limited	Kenya	100.0	1.5	1.5
Africa Broadcasting Limited	Kenya	100.0	-	-
Nation Newspapers Limited	Kenya	100.0	-	-
Nation Carriers Uganda Limited	Uganda	100.0	-	-
Nation Carriers Tanzania Limited	Tanzania	100.0	-	-
Africa Broadcasting Tanzania Limited	Tanzania	100.0	-	-
Africa Broadcasting Mauritius Limited	Mauritius	100.0	-	-
Nation Printers and Publishers Limited	Kenya	100.0	-	-
			444.2	93.6
Provision for impairment			(44.8)	(44.8)
			399.4	48.8

Investment in subsidiaries (continued)

During the year both the authorised and issued share capital of Mwananchi Communications Limited, Nation Holdings Tanzania Limited and Africa Broadcasting Uganda Limited was increased and subsequently the subsidiary companies were recapitalised. Where minority share holding existed the minority shareholders injected an amount proportional to their shareholding into the company.

20 Inventories

	Group 2007 Shs m	Group 2006 Shs m	Company 2007 Shs m	Company 2006 Shs m
Raw materials at cost	307.5	469.6	234.4	417.9
Engineering spares at cost	69.2	70.4	67.6	67.9
Other stock at cost	14.4	20.6	12.7	13.5
	391.1	560.6	314.7	499.3

21 Receivables and prepayments

	Group 2007 Shs m	Group 2006 Shs m	Company 2007 Shs m	Company 2006 Shs m
Trade receivables	1,472.9	1,162.3	1,020.7	785.9
Less: provision for impairment	(569.3)	(466.6)	(341.6)	(275.3)
	903.6	695.7	679.1	510.6
Amounts due from related parties (Note 28)	-	-	231.3	351.5
Other receivables and prepayments	396.8	267.4	280.2	212.0
	1,300.4	963.1	1,190.6	1,074.1

The fair values of the current receivables and prepayments approximate to their fair values.

22 Cash and cash equivalents

For the purposes of cashflow statements, cash and cash equivalents comprise cash in hand, term deposits held with banks and investments in money market instruments. The year end cash and cash equivalent comprise the following:

	Group 2007 Shs m	Group 2006 Shs m	Company 2007 Shs m	Company 2006 Shs m
Cash and bank balances	305.7	392.0	239.0	354.7
Short term bank deposits	1,609.7	1,289.1	1,609.7	1,289.1
	1,915.4	1,681.1	1,848.7	1,643.8

The weighted average effective interest rate on the bank deposits at the year-end was 7.5% (2006: 7.6%).

23 Payables and accrued expenses

	Group 2007 Shs m	Group 2006 Shs m	Company 2007 Shs m	Company 2006 Shs m
Trade payables	407.5	333.6	301.0	239.1
Amounts due to related parties (Note 28)	-	-	23.4	12.8
Accrued expenses	1,244.4	934.1	1,023.9	768.1
Other payables	159.1	104.4	53.0	16.9
	1,811.0	1,372.1	1,401.3	1,036.9

Accrued expenses include provisions subject to accounting estimates and assumptions as disclosed in Note 4.
The carrying amounts at the above payables and accrued expenses approximate to their fair values.

24 Dividends

At the annual general meeting to be held on 29 May 2008, a final dividend in respect of the year ended 31 December 2007 of Shs.7.50 per share amounting to Shs.534.8 million (2006: Shs.356.5 million) will be proposed. During the year, an interim dividend of Shs.3.00 per share, amounting to Shs.213.9 million (2006:142.6 million) was paid. The total dividend for the year is, therefore, Shs.10.50 per share (2006: Shs.7.00), amounting to Shs.748.7 million (2006: Shs.499.1 million excluding a special dividend of Shs.356.5 million).

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

25 Commitments – Group

Capital expenditure

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

	2007 Shs m	2006 Shs m
Contracted for but not provided for	76.5	143.6

Operating leases

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

	2007 Shs m	2006 Shs m
Not later than 1 year	79.0	72.5
Later than 1 year and not later than 5 years	348.6	397.5
	427.6	470.0

26 Cash generated from operations

	2007 Shs m	2006 Shs m
Reconciliation of profit before tax to cash generated from operations		
Profit before income tax	1,601.6	1,150.8
Adjustments for:		
Depreciation of property, plant and equipment (Note 15)	333.8	300.0
Amortisation of intangible assets (Note 16)	14.0	8.3
Amortisation of prepaid operating lease rentals (Note 17)	1.2	1.3
(Profit)/loss on sale of property, plant and equipment	(1.6)	(16.6)
Interest income (Note 8)	(104.3)	(75.6)
Interest expense (Note 8)	48.1	16.5
Share of result of associate (Note 18)	(33.4)	(26.1)
Changes in working capital:		
- inventories	169.5	(134.0)
- receivables and prepayments	(337.3)	(100.3)
- payables and accrued expenses	438.9	213.2
Cash generated from operations	2,130.5	1,337.5

27 Contingent liabilities

The directors have after taking appropriate legal advice, made provisions for contingent liabilities where there is a possible loss to the Group.

28 Related parties

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.

(i) The following purchaes were made from related parties	**2007 Shs m**	**2006 Shs m**
Other related parties	75.0	67.7

(ii) Outstanding balances from transactions with related parties

Amounts due from related parties	**Company**	
	2007 Shs m	**2006 Shs m**
Nation Marketing and Publishing Limited	-	12.9
East African Magazines Limited	32.6	30.7
Monitor Publications Limited	7.6	-
East African Television Network	7.8	7.8
Mwananchi Communications Limited	46.6	18.4
Nation Carriers Uganda Limited	-	6.3
Nation Holdings Tanzania Limited	-	143.4
Nation Infotech Limited	0.9	0.9
Africa Broadcasting Uganda Limited	135.8	131.1
	231.3	351.5
Amounts due to related parties		
Monitor Publications Limited	-	5.1
Nation Marketing and Publishing Limited	18.0	-
Nation Holdings Tanzania Limited	5.4	7.7
	23.4	12.8

(iii) Loans to executive directors	**Group**		**Company**	
	2007 Shs m	**2006 Shs m**	**2007 Shs m**	**2006 Shs m**
At start of year	7.1	2.3	7.1	2.3
Loans advanced during the year	4.1	7.3	4.1	7.3
Loans repaid during the year	(3.2)	(2.5)	(3.2)	(2.5)
At end of year	8.0	7.1	8.0	7.1

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

(iv) Directors' remuneration	**2007 Shs m**	**2006 Shs m**
Fees for services as director	18.4	12.2
Other emoluments	90.7	76.3
	109.1	88.5

	2007	2006	2005	2004	2003
	Shs m	Shs m	Shs m	Shs m	Shs m
Results					
Turnover	7,685.6	6,339.2	5,597.1	4,866.2	4,469.1
Profit before tax	1,601.6	1,150.8	1,010.6	894.7	872.6
Profit attributable to shareholders	1,089.6	783.2	716.2	641.4	602.8
Net assets					
Non-current assets	2,284.2	2,087.2	2,051.0	2,026.4	1,691.2
Net current assets	1,719.0	1,768.4	1,216.8	841.0	1,136.1
Non-current liabilities	(267.2)	(358.9)	(37.1)	(10.6)	(45.9)
Minority interests	87.8	91.2	59.1	43.4	10.9
Shareholders' funds	3,823.8	3,587.9	3,289.8	2,900.2	2,792.3
Profit before tax					
as a percentage of turnover(%)	20.84	18.15	18.06	18.39	19.53
Earnings per share (Shs)*	15.28	10.98	10.04	9.00	8.45
Dividends per share (Shs)*	10.50	7.00	6.00	6.00	5.00
Dividend cover (times)*	1.46	1.57	1.67	1.50	1.69

*Adjusted for bonus issues and special dividend

Taarifa Fupi ya Kifedha ya Miaka Mitano

Matokeo					
Jumla ya mapato	7,685.6	6,339.2	5,597.1	4,866.2	4,469.1
Faida kabla ya kodi	1,601.6	1,150.8	1,010.6	894.7	872.6
Faida kwa wenyehisa	1,089.6	783.2	716.2	641.4	602.8
Mali halisi					
Mali thabiti	2,284.2	2,087.2	2,051.0	2,026.4	1,691.2
Mali halisi za sasa	1,719.0	1,768.4	1,216.8	841.0	1,136.1
Madeni ya muda mrefu	(267.2)	(358.9)	(37.1)	(10.6)	(45.9)
Wenyehisa wachache	87.8	91.2	59.1	43.4	10.9
Malipo ya wenyehisa	3,823.8	3,587.9	3,289.8	2,900.2	2,792.3
Faida kabla ya kodi					
Kama asilimia ya mapato	20.84	18.15	18.06	18.39	19.53
Mapato kwa kila hisa (Shilingi)*	15.28	10.98	10.04	9.00	8.45
Migawo kwa kila hisa (Shilingi)*	10.50	7.00	6.00	6.00	5.00
Malipo ya hisa (mara)*	1.46	1.57	1.67	1.50	1.69

*Badiliko kuhusu hisa za bonasi na mgawo maalum

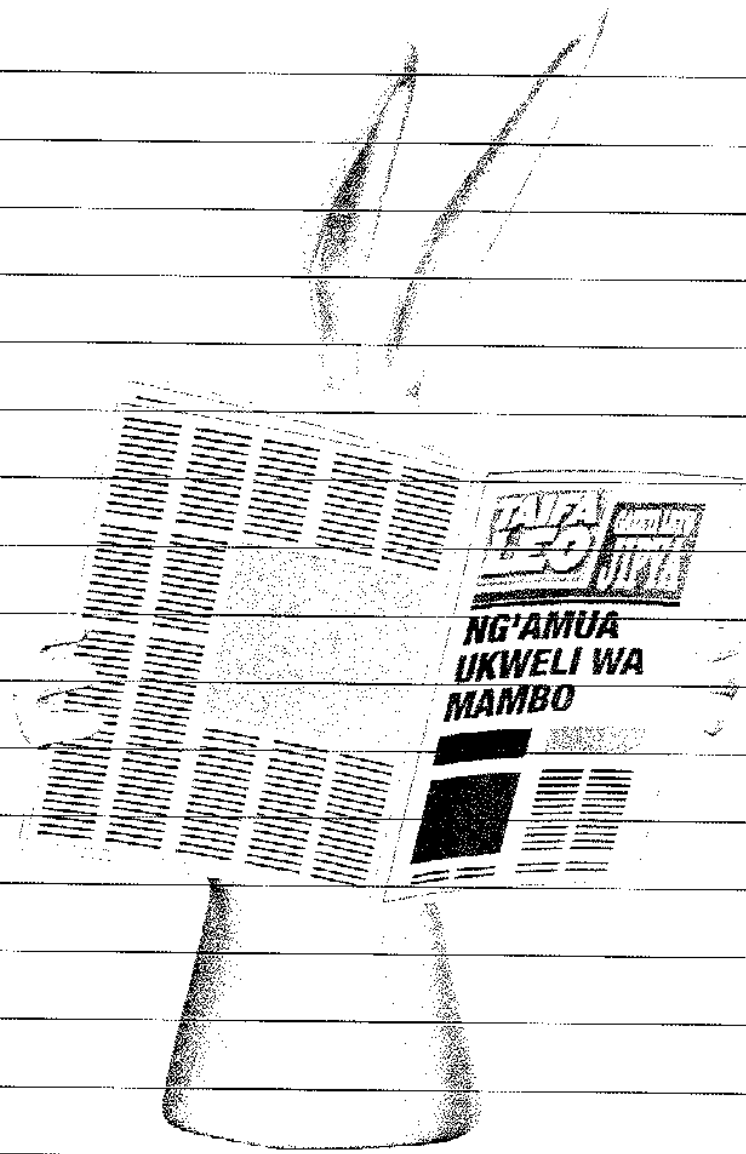
Principal Shareholders and their respective Shareholding

No.	Name of Shareholder	No. of shares held	%
1	The Aga Khan Fund for Economic Development (AKFED)	31,893,312	44.73
2	Mr. Amin Nanji Juma	5,823,364	8.17
3	National Social Security Fund	3,012,683	4.23
4	Nima Investment Limited	1,306,716	1.83
5	Kenya Commercial Bank Nominees Limited A/c 769G	876,747	1.23
6	Kenya Commercial Bank Nominees Limited A/c 744	735,115	1.03
7	Barclays (Kenya) Nominees Limited A/c 1256	695,698	0.98
8	Barclays (Kenya) Nominees Limited	586,807	0.82
9	Old Mutual Insurance Company	467,826	0.66
10	John Kibunga Kimani	366,619	0.51

Distribution of Shareholding

at 31 December 2007

Shareholding (No. of shares)	No. of shareholders	No. of shares held	% of shareholding
1 - 500	3,326	667,220	0.94
501 - 5,000	4,834	7,389,868	10.36
5,001 - 10,000	530	3,756,404	5.27
10,001 - 100,000	395	9,355,487	13.12
100,001 - 1,000,000	30	8,100,206	11.36
Over 1,000,000	4	42,036,075	58.95
TOTAL	9,119	71,305,260	100.00


NG'AMUA
UKWELI WA
MAMBO

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 29 May 2008 at 2 .00 pm 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. 0. Box 49010 – 00100 GPO Nairobi, to reach him not later than 48 hours before the time appointed for holding the meeting.*

2 *A person appointed to act as a proxy need not be a member of the company.*

3 *If the appointer is a corporation, this form of proxy must be under seal or under the hand of an officer or attorney duly authorised in writing.*

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 29, 2008, saa nane 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 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.*