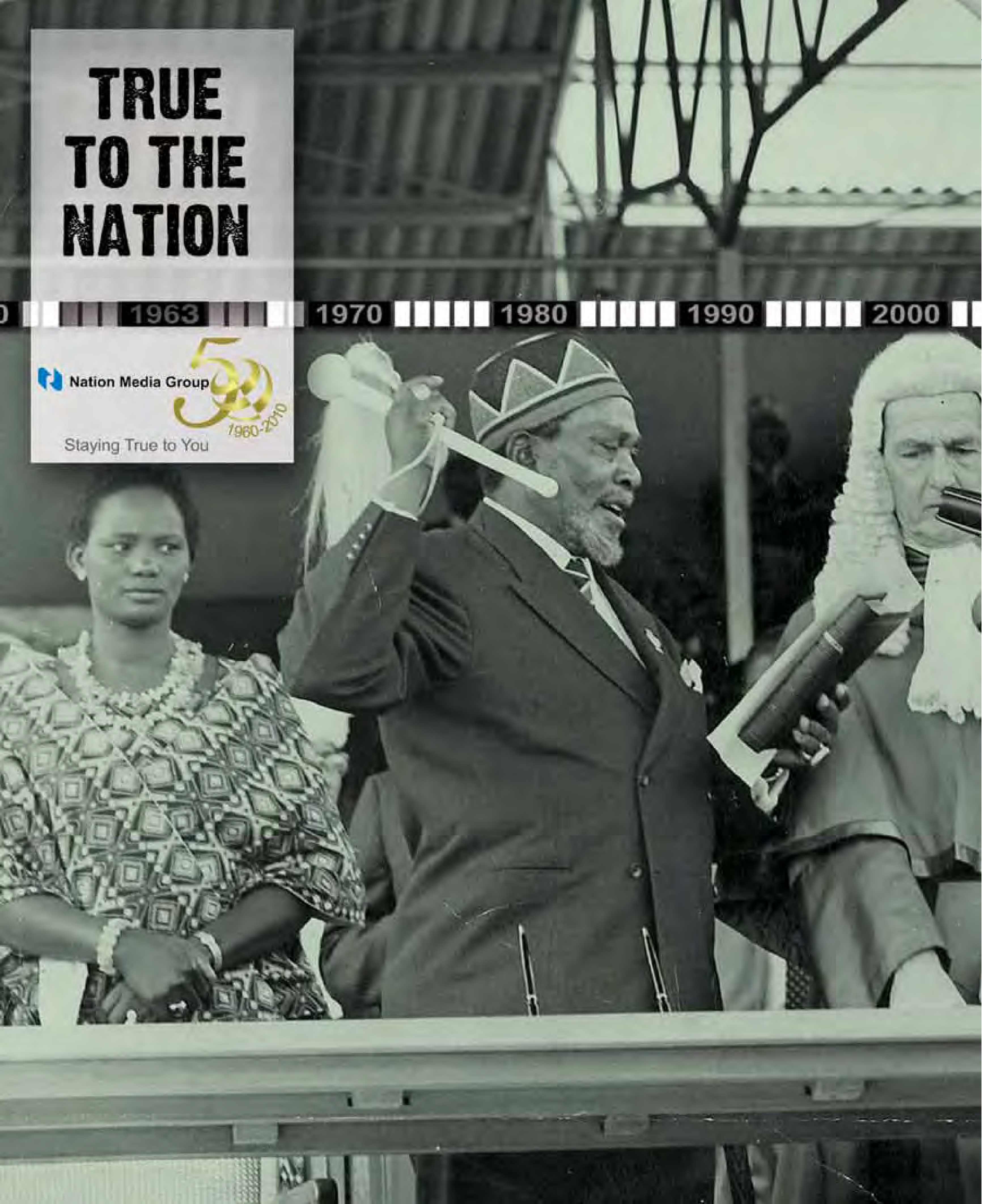
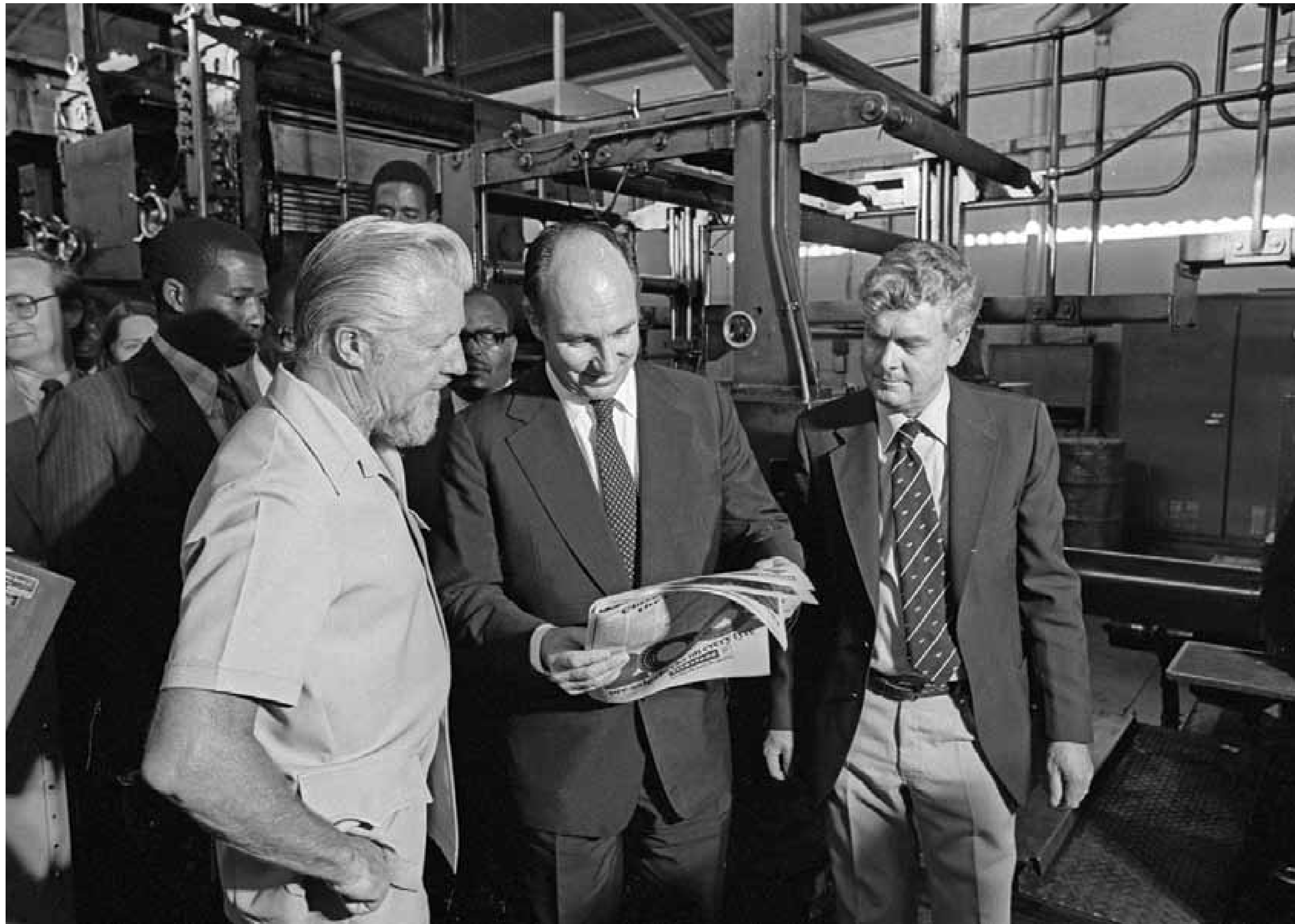
# Contents | Yaliyomo








# Making of the Nation: From birth to maturity



The Aga Khan reviews printing quality at the Nation's press during a visit in the mid-seventees. He is flanked by (left) Managing Director Stan Denman and Technical Director Vin Durnan.

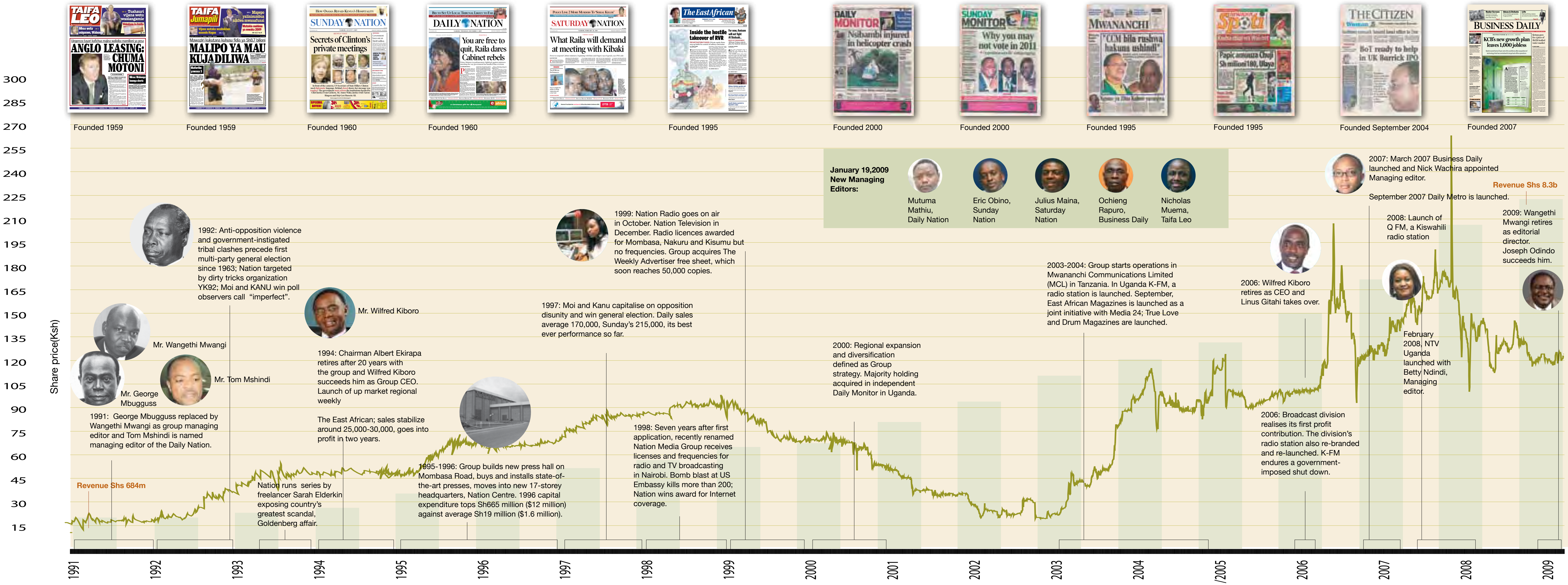
## THE BEGINNING: 1960-1985

By any measure, 1960 was an epoch-defining year. The Cold War between the Kremlin and the West held a fearful world in its grip; American spy pilot Gary Powers was shot down over Soviet territory; France tested its first atomic bomb; Fidel Castro nationalised industry in Cuba and Nikita Khrushchev angrily pounded his shoe on his desk at the United Nations.

Africa was in ferment. The Sharpeville massacre in South Africa brought demands for national independence to boiling point all over the continent and in French West Africa, colony after colony demanded and secured its sovereignty. British Prime Minister Harold Macmillan signalled that the same course must follow in Anglophone Africa when he declared, first in Accra, then in Cape Town: "The wind of change is blowing through this continent and, whether we like it or not, the growth of national consciousness is a political fact… our national policies must take account of it."

Africa's restlessness was mirrored in the United States, where Afro-American students began a series of sit-ins at lunch counters, demanding an end to segregation and recognition of blacks' civil rights. But two young Americans hinted at a new era ahead. At the Rome Olympics, Muhammad Ali, then Cassius Clay, won a boxing gold medal, and presidential candidate John F. Kennedy first suggested a Peace Corps be formed to help the less-favoured nations, an idea that bore fruit after his election the following year.

# NMG's expansion as seen through the eyes of shareholders




## THE MILESTONES

**1959** – 1959: April 2, East African Newspapers (Nation Series) Ltd. Formed, buys weekly Taifa for €10,000 from East African Press Exchange owned by Charles Hayes and Althea Tebbutt.

**1960** – 1960: January 15, Taifa becomes daily, retitled Taifa Leo. March 20, first issue of the Nation, later to become Sunday Nation. October 3, first issue of the Daily Nation.

**1962** – 1961-1962: Group expands, buying and starting newspapers and magazines in Tanganyika and Uganda but retrenches in 1963 in face of increasing costs. Newspapers give blanket coverage to political developments including the release of Jommo Kenyatta and negotiations for independence.

**1963** – 1963: Independence, December 12. Daily Nation headline: Kenya free

**1964** – 1964: February Hillary Ngweno appointed first African editor of Nation in succession to British founding editor John Bierman. 1965:Ngweno resigns, succeeded by President Kenyatta's press secretary George Githii

**1966** – 1966: George Githii clashes with government over Preservation of Public Security Bill providing for detention without trial. Daily Nation breaks through to 24,000 copies from average 1960-65 of 17,000; Sunday Nation selling 37,000, Taifa 51,000 copies.

**1968** – 1968: Nation makes profit for the first time (€1,300 for the financial year to March 31). July, Editor in Chief Githii resigns to pursue degree course at Oxford University. Succeeded by Boaz Omori, chief editor of Taifa papers.

**1969** – 1969: Daily Nation sales of 34,954 copies for first six months exceed those of the East African Standard for the first time-by 237 copies.

**1975** – 1975: Githii's handling of disappearance and murder of populist MP J.M Kariuki angers public and his effigy is burned in the streets.

**1977** – 1977: Githii resigns after row with board and senior management concerning treatment of religious issue. After delay, long time Nation editor Jawaharlal ("Joe") Rodrigues appointed EiC.

**1981** – 1981 August, Editor-in-Chief leaves, stating he was sacked over his handling of January 1 Norfolk hotel bombing and political issues. Successor is Peter Mwaura.

**1983** – 1983: Mwaura leaves, Taifa Leo Managing Editor George Mbugguss appointed with title Group Managing Editor, Verbatim coverage of Charles Njonjo inquiry takes circulation over 200,000 for the first time.


THE NATION

Introducing ourselves

14 NEW ARRESTS IN GHANA

ACCRA, Saturday

FOURTEEN leaders of the Opposition United Party on the Ghana-Togoland border have been detained under the Ghana Preventive Detention Act on charges of planning an outbreak of organised violence and civil disturbance in certain parts of the Volta region.

The silent child with tragic eyes

Tanganyika Masai appeal to UN

By NATION Reporter

AND THAT'S JUST WHAT TONY DID

Armed revolt

Pritchard 'critical'

Dick's Blues

DOMINATION

Vegetarians and non-vegetarians feel at home aboard...

THE EAA EASTERN CANADAIR!

EAST AFRICAN AIRWAYS

The first isssue of the Nation newspaper in March 1960.

The newsroom itself exuded a noisy vibrancy, missing now in the almost monastic silence of today's push-button, cyber journalism.

George Mbugguss and Joe Rodrigues played a key role in shaping the Nation's worldview at a critical point in Kenya's history.

It was into this turbulent world that, on March 20, 1960, The Nation was born. Describing itself as "East Africa's newest, liveliest Sunday," a leading article declared: "Very briefly, we intend to live up to our name and do everything in our power to help the various communities of East Africa to build nations where people of all races can live freely and peacefully under the rule of law. Beyond this, The Nation accepts the desirability of the transfer of power to African majorities in the three territories of East Africa within the next few years."

The Nation's support for majority rule "within the next few years", while proclaiming where the group's sympathies lay, not only provoked a hostile reaction from many in Kenya's white settler community, it also boldly challenged the establishment's accepted scenario for the path to Independence. This, even among many sympathisers, foresaw that if Africans were ever to rule Kenya, it would be many, many years in the future.

Commercially, however, The Nation's stance made it a hostage to fortune, since illiteracy among its target African audience was high, while most of those with consumer power found its political stance too radical by far. It was evident that if the new paper were to succeed, it would be a long and punishing journey, and so it proved.

The commitment to African majority rule was no accident. Back in 1957, His Highness Prince Karim Aga Khan, leader of the Shia Imami Ismaili Muslims worldwide, had been talking with young African nationalists such as Tom Mboya and Julius Kiano about what lay in Kenya's future. The Aga Khan assumed leadership of his community at the age of 20 on

# Making of the Nation: From birth to maturity (Continued)

the death of his grandfather. Having lived in Kenya as a boy, in a house in a Nairobi suburb, his association with the country was no accident. This young man was well aware that most newspapers in East Africa tended to be mouthpieces of the colonial governments, denying any platform for the aspirations of upcoming African politicians. Believing they were entitled to a full say in the independence debate, he determined to start a newspaper that would be open to all voices.

The Nation was a Sunday paper, changing its title to Sunday Nation shortly before the Daily Nation was launched seven months later. It was not the sort of newspaper Kenyans were accustomed to read. For a start, it was produced using the then revolutionary web-offset method of printing, a new technology that provided quality far superior to that available to other publishing houses. The Aga Khan's media aide at the time was Michael Curtis, a former editor of the News Chronicle in London, and it was Curtis who became the architect of a group that grew eventually to dominate the East and Central African publishing market. John Bierman was hired from Fleet Street to be editor and editorial and production staff were recruited mainly from Britain because of the paucity of trained African journalists and managers.

The aim, however, stated and much repeated, was to create a newspaper that would be "written and managed by Africans for Africans." Curtis rented a former bakery on what was then Victoria Street in central Nairobi, it was adapted for newspaper production and the foundations of the group were laid.

## A SOARAWAY SUNDAY, A LIMPING DAILY

If Kenya's conservative readers looked askance at The Nation's politics, they were quickly seduced by its energy, liveliness and humour as well as the fresh and aggressive approach it demonstrated to reporting public affairs. The March 20, 1960 launch issue sold 17,500 copies and the figure quickly soared to 24,000, reaching 30,000 copies-plus in August. This dizzying success owed much to scoops such as a world exclusive in June, headlined, "The old man who waits at Lodwar." This was a spread of photographs of Jomo Kenyatta, the man the colonial government vainly hoped had been forgotten, then in detention in the Northern Frontier town of that name.

"He digs his arid little garden," a caption said, "he lounges with his books and newspapers, listens to the ever-present radio – and waits for the day of his return." The coverage electrified Africans, angered the colonial government and infuriated many settlers who blamed Kenyatta for the horrors of Mau Mau.

Unlike its Sunday sibling, the Daily Nation's growth was to prove slow and painful. The choice of a launch date, for example, was questionable. A Monday paper has to carry news from Sunday and there is often not much happening on the traditional day of rest. So it was to prove on the weekend of October 3, 1960 and the paper's own launch was promoted to second lead on Page One. The main story told of the return home of the Sultan of Zanzibar after hospitalisation in Europe, describing him as "fit as a fiddle." He died within weeks.

Writing 25 years later for the paper's silver jubilee souvenir, editor Bierman recalled, "It was not, let us be frank, a very good issue…and it went down rather like a lead balloon." The print order for the launch was 15,500 and it sold 13,000. Sales dropped even further when the curiosity factor abated and come November were down to 12,000. A letter from a reader said, "The mountain has laboured and brought forth a mouse."

Stung, the newsroom fought back. Through initiative and hard work, and driven by Bierman's relentless energy, reporters brought in a series of exclusive front page stories on widely different topics that kept people talking about the paper, even if not enough were buying it. "It was hard and often heartbreaking work," Bierman recalled, but it did finally pay off. Putting sales back at a modest 200 per week, circulation rose slowly and painfully to a point of viability. But it took more than five years to cross the 20,000 barrier, which the Sunday Nation achieved in four months. Inevitably, what mostly filled the new newspaper's columns was politics.

## INDEPENDENCE AND THE COMING STORM

Finally on December 12, 1963, the Union Jack was lowered and Kenya's new flag – a shield and crossed spears on a red, black and green background – was raised in its place. The Nation's front page declared "Kenya Free!"

As the new government struggled to find its feet, so the Nation began to flex its muscles. Michael Curtis recalled: "We became the first newspaper to distribute nationwide from our presses in Nairobi. We did what everyone in Nairobi told me was impossible and ran our Land-Rovers the whole of the 480 kilometres to Mombasa on what was then only a murram road infested with wild animals and subject to sudden floods."

The Nation had become a truly national newspaper and it was clear the time was ripe to appoint a Kenyan to lead the editorial team. The Board's choice was a Harvard graduate, a journalist who had


"He's a cute little fellow, but will he behave?

# Making of the Nation: From birth to maturity (Continued)

already made his mark as a feature writer, Hilary Ng'weno. The new editor brought an African perspective to reporting and writing, clearly demonstrated during the upheaval in the Congo following the murder of Patrice Lumumba. As international news agencies focused their reports on the fate of white missionaries, Ng'weno saw to it that the slaughter of thousands of Congolese Africans was brought to the attention of news-hungry Kenyans.

The Sixties ended in darkness. On July 5, 1969, Tom Mboya, aged 38, was shot dead coming out of a chemist's shop barely 100 yards from Nation House. The Nation described it as "the most horrific event that has taken place in the short history of our young republic."

The Nation celebrated its 10th birthday in 1970, unrecognisable from the feeble infant of a decade ago. It had turned its first profit in 1968 and it overtook the Standard's circulation in 1969. At the time of the anniversary, both the Sunday Nation and the Daily Nation sold well over 46,000 copies per issue. A new rotary press was installed, one of the most advanced in Africa, which enabled the newspapers to print photographs and advertisements in full colour. And a long-held determination of the Aga Khan – to turn the group into a public entity – was achieved. The idealism behind making shares available to the African public was underpinned by the protection that African co-ownership might provide against possible nationalisation. The Aga Khan made available 40 per cent of his holding, 1.2 million shares at five shillings each, and this offer was more than twice oversubscribed among 3,200 individuals and institutions. The group's payroll by then topped 800.

## SILVER JUBILEE

Turning the expectations outlined in the Aga Khan's IPI speech into reality, the Nation announced a unique twinning agreement with the Florida-based St Petersburg Times. The deal provided for the exchange of staffers and information and formed part of an overall strategy to improve professional standards and make the group's papers comparable to leading national newspapers in other parts of the world. At this time, the Nation claimed 50.9 per cent of the market in display advertising, though it remained well below the Standard in classified advertising. Chairman Albert Ekirapa announced a Sh13.4 million pre-tax profit for the year ended September 1982, the second highest in its history. He described this as "a spectacular achievement considering the country's increasing economic difficulties and other operational restraints."

In July 1983, Peter Mwaura, who had followed Joe Rodrigues as Editor-in-Chief, resigned and a new post of Group Managing Editor was filled by George Mbugguss, one of the Nation's pioneer newsmen from 1960, having edited Taifa Leo for 15 years. In the early 1960s, there were no more than 500 outlets for the group's papers; by the time of Mbugguss's appointment, there were 5,000 countrywide. These key distribution points became beehives of activity when Charles Njonjo, by then an MP and Minister for Constitutional Affairs, was accused in Parliament of being an anti-government plotter, and a judicial commission of inquiry was set up. Mbugguss plunged for saturation coverage and print orders at times exceeded 200,000. Njonjo was found guilty of plotting but not of arrogating to himself the powers of the President and in 1984 President Moi announced he was pardoning his old ally "in view of his previous faithful service."

On March 20, 1985, the Daily Nation celebrated its 25th birthday with a handsome, ad-free, 102-page giveaway offering a year-by-year account of the Nation story. The Aga Khan announced a scholarship programme to sponsor 86 students for four years at secondary-school level, and chairman Ekirapa announced a record pre-tax profit of £1,011,700 – the first time the paper had passed the million sterling mark. Circulation moved past 150,000 copies per day.

The Nation newsroom goes high tech and this development is received with mixed feelings.



Dogged pursuit of licences led to radio and television stations in Nairobi and Kampala.

## TROUBLES AND TRIUMPHS OF TWO NATIONS: 1986-2010

The second half of the two nations' story (country and newspaper) was punctuated by events that impacted volcanically on both the country and the newspaper, alternating with fallow years of quiet and progress.

A mature, educated Kenyan, looking back over the last quarter century, would probably identify 1986 and 1987 as the years of the notorious Mwakenya scare, when lots of innocent Kenyans were locked up on dubious grounds of sedition. In the midst of all this, Parliament found time to confer more power on the head of state.

Mention 1988 and the word mlolongo would probably enter our observer's mind, for that was the year Kenyans queued up behind large photographs of candidate MPs in what became known as "the selection within the election".

By any standards, 1989 was one of the volcanic years: Internationally, the collapse of Communism, nationally the bloody fight for multipartyism, Matiba/Rubia/Hempstone/ Saba Saba.

Into the 1990s: Ethnic clashes and the deaths of Robert Ouko and Bishop Alexander Muge. New opposition parties were formed, but did not unite and President Moi and Kanu won the first multiparty election since 1963. The Nation Group moved into a new headquarters, created its first new paper for years and build a state-of-the-art press hall. A new word entered the Kenyan lexicon: Goldenberg.

International terrorism afflicts the region in 1998 as bombs explode at the American embassies in Nairobi and Dar es Salaam. Memories of Mwakenya are aroused by reports of another dubious enemy of the nation, the February Eighteen Revolutionary Army. It proves as hard to track down as its predecessor.

NMG marks the arrival of the second millennium with a flurry of expansion, going into radio and television and acquiring print and broadcast outlets in Tanzania and Uganda. The opposition to Kanu finally unites and Mwai Kibaki becomes head of state in 2002 in succession to the long-serving President Moi. Promises to end corruption are belied by new scandals involving government ministers.

Amid anger and disenchantment, voters reject a proposed new constitution and when the 2007 election produces results that appear illogical and contradictory, Kenya is seized by a paroxysm of ethnic violence that kills an estimated 1,200 people and displaces at least a quarter of a million. Two months of negotiation and the threat of international pariah status lead to peace under a new power-sharing arrangement.

Such is the nature of day-to-day life, it is the negative that catches the attention while incremental progress goes scarcely noticed — in Kenya's case, the easing of civil oppression, release of political prisoners, the demystification of the presidency, the willingness of Kenyans to stand up for themselves, the disappearance of petty party dictators, unprecedented freedom of the media to criticise and complain.

In ironic juxtaposition to the unhappy national scene, the Nation Group itself was doing well at this time, benefiting from a significant increase in capital expenditure that had been agreed at the birth of its second quarter-century. The company invested in a computerised input system for editorial, classified advertising and some production functions. A second press line was installed and a plot was acquired in Kimathi Street for a new multistorey headquarters.

## AN ERA OF EXPANSION FOR NMG

THE YEARS BETWEEN 1990 and 2000 saw dynamic expansion in the Nation Group: a new headquarters in downtown Nairobi, a new upmarket weekly, The EastAfrican, a $12 million (Sh750 million) printing press on the city's outskirts with the latest in printing technology, entry to the Internet and, crucially, a move into the broadcast media.

Capital expenditure soared to $12 million (Sh665 million) from $1.6 million (Sh93 million).

The group's new home was the custom-built, multistorey Nation Centre on Kimathi Street designed by Danish architect Henning Larsen. The new building was owned by Property Development and Management Ltd, an affiliate of the Aga Khan Fund for Economic Development, in which the Nation had a 20 per cent interest. The newspapers took four floors and their neighbours included prestige tenants such as the Nairobi Stock Exchange and Diamond Trust Bank.

Staffers who had spent years in the stuffy, crammed, chaotic confines of Nation House were delighted to move to their new quarters in a light-filled, spacious, airy, noise-controlled, no-smoking and air-conditioned ambience.

A major boost to journalistic morale at the time was editor Joseph Odindo's creation, The EastAfrican, the group's first significant new editorial product for many years. Devised to meet growing interest in the East African region at a time when relations between Kenya, Uganda and Tanzania were warmer than they had been for years, the newspaper came cross as handsome and indisputably authoritative. Little more than a year later, the International Press Institute described it as "one of the best, if not the best, of regional newspapers in sub-Saharan Africa."

It was 1991 when the group took the first step on a long and arduous journey into the electronic media by applying for a licence to broadcast. The government response was negative, presumably because of the Nation's independent editorial line, so chief executive Wilfred Kiboro organised the purchase of a controlling interest in East Africa Television Network Ltd (EATN), which already had television and radio licences.

The government promptly cancelled EATN's licences on grounds there was a dispute about the transfer of shares to the Nation Group. There ensued a series of court hearings, postponements, statements and objections that Kiboro characterised as "a merry-go-round of delay".

Seven years after its first application, the Nation was awarded TV and radio licences, but frequencies for Nairobi only, not countrywide. Negotiations ensued about frequencies, microwave links, the siting of transmitters and the strength of signals.

With most major newspaper companies reinventing themselves as


multimedia providers at this time, the Nation Group was acutely aware that it could not be left behind. Further, the government now owned or controlled the Kenya Broadcasting Corporation and the Kenya Television Network, as well as the Kenya Times and the Standard newspapers. In the new democratic era, it was crucial that the Nation group should move into broadcast as well as print. Eventually and inevitably, resistance to the company's ambitions melted away.

As the millennium moved to a close, the group restructured, partly to reflect its entry into broadcasting, and changed its name to Nation Media Group Ltd., (NMG). A subsidiary company, Africa Broadcasting Ltd., set up to handle TV and radio, was merged into a divisional structure within NMG and Nation TV (later NTV) was born.

## NATION LOOKS BEYOND THE BORDERS

DEBT-FREE AND buoyant at the end of 2002, the Nation Media Group took steps to implement a board commitment to pursue "other opportunities beyond our current area of operations" and turned its attention to its neighbours in Uganda and Tanzania.

Having already acquired a feisty, but hard-up, Kampala tabloid, The



Nation Media Group shareholders register themselves during the company's Annual General Meeting at the KICC May 28, 2009.

Monitor, NMG launched a radio station, Monitor FM 93.3, to capture the prime Uganda audience for news and entertainment. It won a starting audience share of 2 per cent against 11 per cent for the top Uganda station, but added to Monitor Publications Ltd's fiscal burdens.

For its part, the newspaper experienced constant difficulties with a government not used to being questioned and challenged in detail by the media. An irony inherent in the situation was that NMG had been invited into Uganda by President Yoweri Museveni himself.

Similarly in Tanzania, President Benjamin Mkapa, dismayed by the quality of existing media, inquired if the Nation group would be interested in bringing quality journalism to Tanzania. Prolonged negotiations led to the acquisition of equity rights to Mwananchi Communications Ltd, which published three titles in Kiswahili and held a 49 per cent interest in Radio Uhuru.

Germane to NMG's moves was the belief that conditions were ripe for a revival of East African links. The East African Federation had died but it was clear that a new five-nation grouping of Kenya, Tanzania, Uganda, Rwanda and Burundi, involving 150 million people, could prove a significant force in the continent. The group began to think of itself, in words that were to become an in-house mantra, as "the media of Africa for Africa".

To facilitate this, the Nation group was placed under the umbrella of the Aga Khan Fund for Economic Development (AKFED), which was restructured to include a division entitled Media Promotion Services. Operating widely with a significant presence in Africa and Central and South Asia, the Fund also had sectors for financial services, industry, tourism and aviation.

It was felt that the group's future would best be assured by institutionalising what was previously the Aga Khan's personal investment. Thus his 23.9 million shares, representing 44.73 per cent of the group's ownership, were transferred to AKFED.

By 2005, with 15 media products under its wing, NMG ranked number six on the Nairobi Stock Exchange. It had radio, television, newspaper and magazine products in both Kenya and Uganda and though it had closed Radio Uhuru in Tanzania, it had started a rare English-language newspaper there, The Citizen.

This era of expansion saw NMG in February 2007 launch the Business Daily, a business newspaper serving the information needs of Kenyans as the economy continued to grow. The broadcasting division opened NTV Uganda.

Looking farther afield, executives acknowledged that to become the most authoritative media about Africa meant physically operating outside of their current area. A business development unit was set up and research began into target areas such as the English-speaking countries of Africa followed by Francophone and Portuguese-speaking territories.

To facilitate quality journalism in these areas in the future, plans were laid for the establishment of a Graduate School of Media and Communications of the Aga Khan University in East Africa. The aim was to provide the necessary academic capacity and lead research on media issues.

# Notice of Annual General Meeting

Notice is hereby given that the Forty Seventh Annual General Meeting of the Shareholders of Nation Media Group Limited will be held at the Amphitheatre, Kenyatta International Conference Centre, Nairobi on Wednesday 19 May 2010 at 2.00 p.m. for the following purposes:

## ORDINARY BUSINESS

1. To receive the financial statements for the year ended 31 December 2009, and the chairman's, directors' and auditors' reports thereon.

2. To confirm the payment of the interim dividend of Shs.1.50 per share (60%) and to approve the payment of a final dividend of Shs.4.00 per share (160%) on the ordinary share capital in respect of the year ended 31st December 2009.

3. To confirm and authorise the directors to fix the remuneration of the auditor, PricewaterhouseCoopers.

4. To elect and re-elect the following directors:
   In accordance with Article 96 of the Company's Articles of Association, Dr. Y Jetha, a director appointed on 24th September 2009 and Mr R Dowden, a director appointed on 16th March 2010, retire and being eligible, offer themselves for election.

In accordance with Article 110 of the Company's Articles of Association, Mr W D Kiboro and Mr S Gitagama, 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.

5. "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."

6. "That subject to the approval of the Capital Markets Authority and the Nairobi Stock Exchange, the sum of Shs. 35,652,630 being part of the amount now standing to the credit of the revenue reserves of the Company, be capitalized and that the same be applied in making payment in full at par for 14,261,052 ordinary shares of Shs. 2.50 each in the capital of the Company. Such shares to be distributed as fully paid among the persons who are registered as holders of the ordinary shares in the capital of the Company at the close of business on 7th May 2010 at the rate of one new fully paid ordinary share for every ten ordinary shares held by such holders respectively and further that such shares shall not qualify for the payment of the final dividend for the year 2009 declared by this meeting"

7. "That subject to the approval of the shareholders and of the Capital Markets Authority and the Nairobi Stock Exchange, the sum of Shs.617,500 being part of the amount standing to the credit of the revenue reserves of the Company, be capitalized and the same be applied in making payment in full at par for 247,000 shares of Shs 2.50 each in the capital of the Company. Such shares to be distributed as fully paid to the 1,235 permanent employees in Kenya, Uganda and Tanzania as at 31st December 2009 at the rate of 200 shares each. Such shares shall not qualify for the dividend or the bonus shares issue declared in this meeting."

8. "That the Directors be and are hereby authorized to register and cross list the company's shares on the Uganda Securities Exchange; the Dar es Salaam Stock Exchange and the Rwanda Over The Counter Market and are authorized to do and effect all acts and things required to give effect to this resolution."

9. That Article 93 of the Company's Articles of Association be amended and replaced by the following wording.

   "Unless and until otherwise determined by the Company in General Meeting, the number of Directors shall not be less than two and not more than fifteen excluding Alternate Directors".

10. To delete the wording of the existing Article 155 and to replace with the following new wording:

"A notice may be given by the Company to any member either personally or by sending it by post, fascimile or electronic mail to the member's registered postal address, to the member's fascimile or to the member's designated electronic mail address. A notice sent by post shall be deemed to be effective by properly addressing, prepaying and posting the notice and shall be deemed to have been received within seven days of posting. A notice sent by fascimile or electronic mail shall be deemed if sent to the member's designated fascimile number or electronic mail address to have been received on the date of dispatch of the notice as confirmed by the recipient's fascimile number or confirmation of the dispatch to the members designated electronic mail address."

**By order of the Board**
**J C Kinyua**
**Secretary**

**16 March 2010**

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 la Mkutano Mkuu wa Mwaka

Tangazo linatolewa hapa kwamba Mkutano Mkuu wa Mwaka wa Arobaini na Saba wa Wenyehisa wa Nation Media Group Limited utafanyika katika ukumbi wa Amphitheatre, Kenyatta International Conference Centre, Nairobi siku ya Jumatano Mei 19 2010 saa nane mchana kwa sababu zifuatazo:

## SHUGHULI ZA KAWAIDA

1. Kupokea taarifa za kifedha za mwaka uliomalizikia Desemba 31 2009 na ripoti za mwenyekiti, wakurugenzi na wakaguzi wa mahesabu ya kifedha.

2. Kuthibitisha malipo ya mgawo wa muda wa Shilingi 1.50 kwa kila hisa (Asilimia sitini) na kuidhinisha malipo ya mgawo wa mwisho wa Shilingi 4.00 kwa kila hisa (Asilimia mia na sitini) kwa mtaji wa kawaida wa hisa kuhusiana na mahesabu ya mwaka uliomalizikia Desemba 31 2009.

3. Kuthibitisha na kuidhinisha wakurugenzi kufanya maamuzi kuhusu malipo ya wakaguzi wa mahesabu ya kifedha, ambao ni PricewaterhouseCoopers.

4. Kuwachagua na kuwateua tena wakurugenzi wafuatao:
   Kulingana na Kifungu cha 96 cha Sheria za Kiushirika za Kampuni, Dkt. Y Jetha, ni mkurugenzi aliyeteuliwa mnamo tarehe 24 Septemba 2009 na Bw. R Dowden ni mkurugenzi aliyeteuliwa mnamo tarehe 16 Machi 2010, wanastaafu na wana fursa ya kujiwasilisha kwa uchaguzi.

Kulingana na Kifungu cha 110 cha Sheria za Kiushirika za Kampuni, Bw W D Kiboro na Bw S Gitagama wanastaafu kwa zamu na, kwa kuwa wana fursa ya kuingia ulingoni tena, wangependelea kuteuliwa tena.

## SHUGHULI MAALUM

Kwa kuzingatia na ikiwaziwa vyema, kupitisha maamuzi yafuatayo kama Maamuzi Maalum:

5. "Kwamba Dkt M J Aliker, mkurugenzi ambaye anastaafu kuambatana na Kifungu cha 101 cha Sheria za Kiushirika za Kampuni na ambaye amepita umri wa miaka 70, bila kulingania kanuni hiyo, atachaguliwa upya kama mkurugenzi wa Kampuni kwa kipindi cha mwaka moja."

6. "Kwa kutegemea idhiri ya Halmashauri ya Masoko ya Mitajo na Shirika la Hisa la Nairobi, jumla ya shilingi 35,652,630 ikiwa sehemu ya kiasi kinaowakilisha malipo ya hifadhi za mapato za Kampuni, zingeweza kuwa mtaji na kiasi kama hicho kitumiwe katika kutoa malipo kamili kuambatana na hisa za kawaida 14,261,052 za shillingi 2.50 kila moja za Kampuni. Hisa kama hizo zigawanywe kama malipo kamili ya watu waliosajiliwa kama wamiliki wa hisa za kawaida katika mtaji wa kampuni kufikia mwisho wa siku ya 7 Mei 2010, kwa kiwango cha hisa moja ya kawaida iliyolipwa kamili kwa hisa kumi za kawaida za wamilikaji hao, pamoja na kuwa hisa kama hizo hazitastahili malipo ya mgawo wa mwisho wa mwaka 2009 yatakayotangazwa kwenye mkutano huu."

7. "Kwa kutegemea idhini ya wenyehisa na Halmashauri ya Masoko ya Mitajo na Shirika la Hisa la Nairobi, jumla ya shilingi 617,500, ikiwa sehemu ya kiasi kinawakikilisha malipo ya hifadhi za mapato za kampuni zingeweza kuwa mtaji na kiasi kama hicho kitumiwe katika kutoa malipo kamili kuambatana na hisa za kawaida 247,000 za shilingi 2.50 kila moja za kampuni.Hisa kama hizo zigawanywe kama malipo kamili kwa wafanyikazi 1,235 wa kampuni ambayo waliokuwa kazini Decemba 31, 2009 kwa kiwango cha hisa mia mbili za kawaida kwa kila mfanyikazi nchini Kenya, Uganda na Tanzania. Hisa hizo hazitastahili malipo ya mgao wa mwisho wala hisa za bakshishi yatakayo tangazwa kweye mkutano huu."

8. "Kwamba Wakurugenzi kutegemea idhiri ya Halmashauri ya Masoko ya Mitajo na Shirika la Hisa la Nairobi na Halmashauri ya Masoko za Uganda, Tanzania na Rwanda wawe na wanaidhinishwa kusajili na kuorodhesha hisa za kampuni kwenye Shirika za Hisa za Uganda; Dar es Salaam na Rwanda na zimeidhinishwa kutekeleza na kuwezesha sheria na masuala yote yanayohitajika ili kuwezesha utekelezaji wa maamuzi haya."

9. Kwamba Kifungu cha 93 cha Sheria za Kiushirika za Kampuni kirekebishwe na kubadilishwa na maneno yafuatayo.

   "Isipokuwa na hadi iamuliwe vingine na Kampuni katika Mkutano Mkuu, idadi ya wakurugenzi haitakuwa chini ya wawili wala haitazidi kumi na tano, bila kuwajumuisha wakurugenzi wa zamu".

10. Kufuta maelezo ya Kifungu cha 155 cha Sheria za Kiushirika za Kampuni na kukibadilisha kwa maelezo mapya yafuatayo:

"Ilani inaweza kutolewa na kampuni kwa mwanachama yeyote aidha kibinafsi ama kwa kuituma kwa posta, au itumwe kwenye anuwani ya mwanachama iliyosajiliwa ya barua meme, posta ama ile ya barua pepe. Ilani iliyotumwa kwa kutumia posta itakubalika pale anuwani sahihi zitakapotumika, kuilipia kabla na kutuma ilani hiyo itachukuliwa kwamba imemfikia aliyetumiwa ndani ya muda wa kipindi cha siku saba. Ilani itakayotumwa kupitia njia ya barua meme au barua pepe itachukuliwa kwamba imemfikia aliyetumiwa kupitia kwenye anuwani ya barua meme ama barua pepe iliyotolewa kuwa mwanachama hasa katika siku ile ilani hiyo ilipotumwa na kupokelewa na aliyetu miwa. Kadhalika, inaweza kuhakikishwa kupitia kwa majibu ya yule aliyetumiwa ilani hiyo."

**Kwa amri ya Halmashauri**
**J C Kinyua**
**Katibu wa Kampuni**

**Machi 16 2010**

Fahamu: Mwanachama aliyeidhinishwa kuhudhuria na kupiga kura anaweza kumteua muwakilishi wake ahudhurie na kupiga kura kwa niaba yake. Sio lazima muwakilishi huyo awe mwanachama wa kampuni. Ili aweze kutambuliwa kuwa halali, fomu za muwakilishi lazima zifikishwe kwa afisi za kampuni zilizosajiliwa saa 48 kabla ya wakati wa mkutano.

# Corporate Governance

1. The role of the Board is to determine the company's policies and strategies, 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, Prof. 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 the interim results and financial statements. Mr D Aluanga chairs the committee which has Mr A Poonawala and Mr J Lee as members.

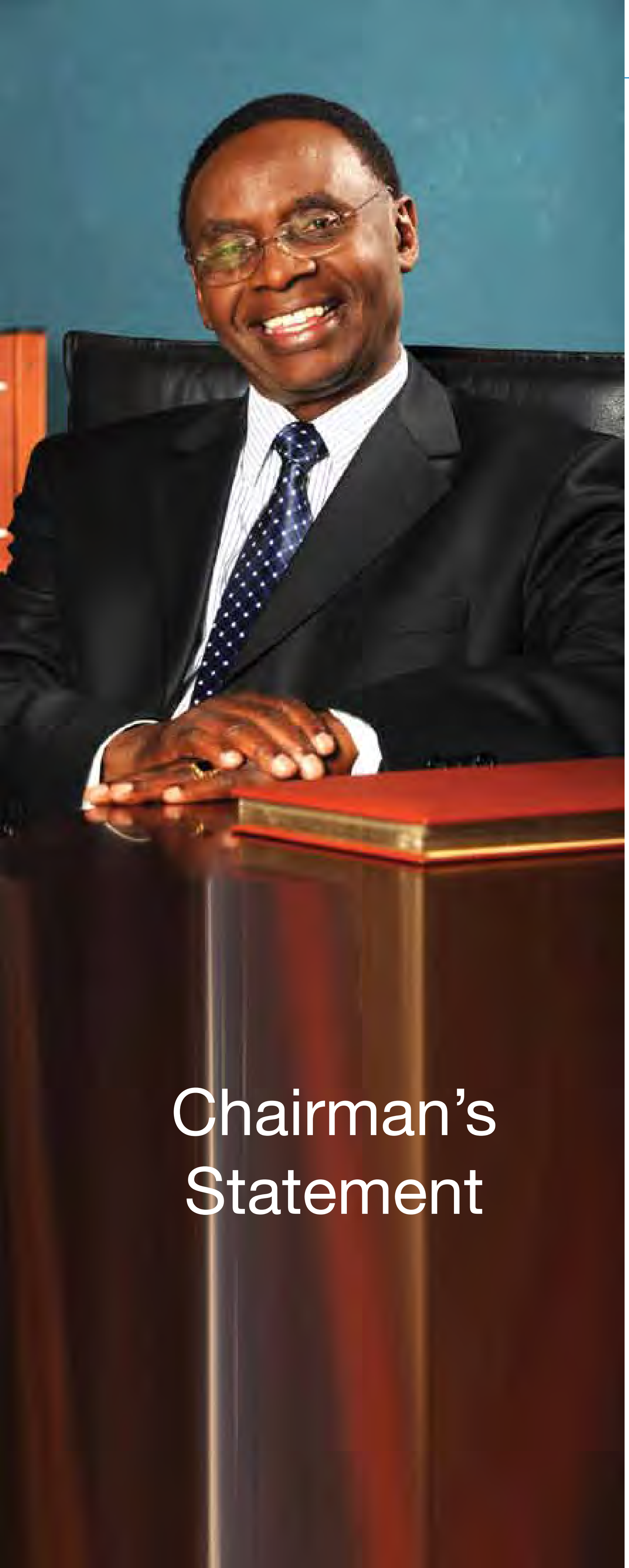
3. Strategic Planning Committee, which reviews the group's medium and long term strategic aims and direction. Prof. L Huebner chairs the committee which has Mr J Lee, Mr G M Wilkinson, Dr M J Aliker, Dr Y Jetha and Mr L W Gitahi as members.

4. Editorial Committee, which considers and advises on the group editorial policy, the journalistic code of ethics and legal responsibilities. Mr F O Okello chairs the committee which has Mr D Aluanga, Mr R Dowden and Mr L W Gitahi as members.

5. Remuneration and Human Resources Committee, is charged with the responsibility of considering human resource policies and recommending non executive directors and senior executives remuneration to the Board. Mr J Lee chairs the committee which has Mr A Poonawala and Dr Y Jetha 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 policies and management operates the business in compliance with these policies.

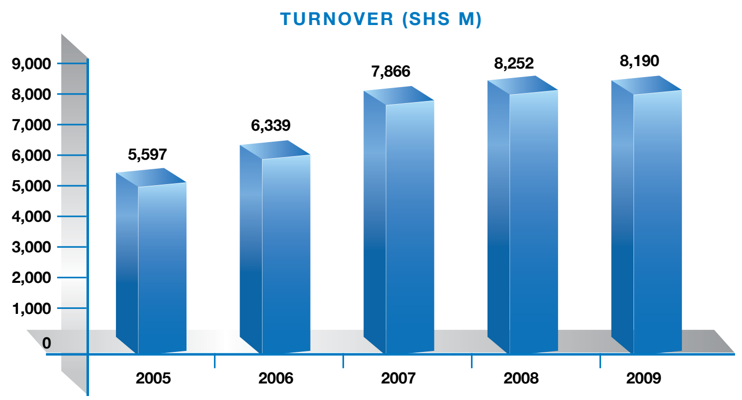
The Group Chief Executive chairs the Executive Team which comprises the executive directors and other senior executives of the company. The team deals with operational matters and co-ordinates activities across the group's various subsidiary companies and divisions.

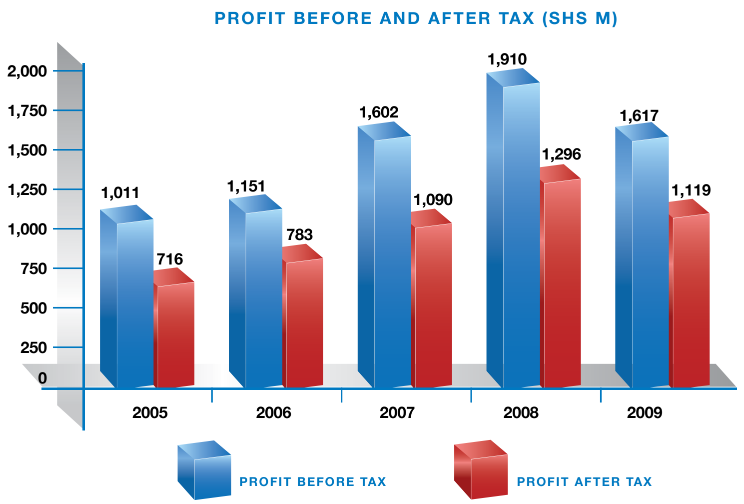



It is my pleasure to present to you the Annual Report and Financial Statements for the year ended 31st December 2009. The year in review experienced the global economic downturn, which adversely affected most sectors of the economy.

## 2009 RESULTS

Turnover for the year reduced slightly by 0.7% to Shs. 8.2 billion while the profit before tax decreased by 15% to Shs. 1.6 billion, over the previous year.



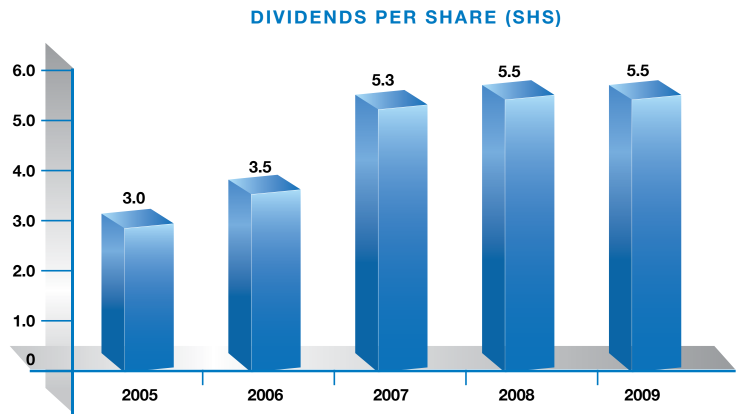

The Group profit attributable to shareholders for the year was Shs.1.1 billion, a decrease of 15% over prior year.

The Group operations were significantly affected by the world newsprint prices which reached an all time high in the first half of the year and the reduced advertising spend by many companies in reaction to the slow down of the economy.

# Chairman's Statement (Continued)

## DIVIDENDS

An interim dividend of Shs. 1.50 (60%) per share was paid on 30th September 2009 and your board of directors recommends the payment of a final dividend of Shs. 4.00 (160%) per share. The total dividend payout per share is similar to the amount paid last year.




## BONUS ISSUE

Your board is recommending for the shareholders and regulatory authority's approval, the issue of one bonus share for every ten shares held in the issued capital of the company. The bonus shares shall be funded from the Company's revenue reserves.

## CROSS LISTING OF NMG SHARES

In order to broaden the shareholder base and to attract further demand for the NMG shares, the Group intends to cross list the Company's shares on the Uganda Securities Exchange, the Dar es Salaam Stock Exchange and the Rwanda Over The Counter Market, subject to approval by the shareholders and the relevant regulatory authorities in each of the respective countries.

## ISSUE OF SHARES TO EMPLOYEES

The success of any company is significantly attributable to the hard work and dedication by the members of staff. As NMG celebrates its 50th Anniversary, your board considered giving the staff a befitting token of appreciation and recommends for your approval, the issue of 200 NMG shares to each of the 1,235 permanent employees in Kenya, Uganda and Tanzania, which will constitute 247,000 shares in total.

## EDITORIAL POLICY AND GUIDELINES

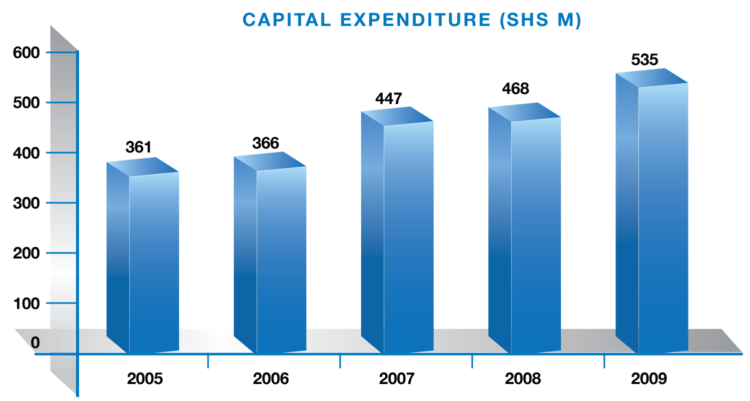
Your Company has had in place a documented Editorial Policy since 1981, which was approved by shareholders during the AGM in 1982. Recently, the Policy Document was revised to take into account the Group's new media outlets namely; radio, television and digital and its expansion into the regional markets. The purpose of the Editorial Policy is to guarantee the highest standards of journalism in the Group. Its prescriptions seek to ensure fair, accurate and balanced reporting in our media and guides our journalists on acceptable professional conduct and suitable product presentation in order to protect the influence and credibility of our media. The Editorial Board Committee is the custodian of the Editorial Policy and meets regularly with the management to review our journalism and ensure adherence to the editorial policy guidelines. You can assess the document on http://www.nationmedia.com

## BUSINESS GROWTH

Your board assisted Mwananchi Communications Limited in Tanzania to acquire a brand new printing press and the company's publications are crisp and clear and have more colour capacity, which has resulted in improved circulation copy sales. The company has also managed to attract third party contract printing orders for other newspapers.

NTV Uganda was granted broadcasting frequencies that cover 80% of the country and you will be pleased to note that the company has attracted the highest audience share in the country and is forecast to return a profit in the current year.

NMG exited the joint venture agreement with Media24 for the publication of magazines,through the sale of its shares in East Afican Magazines Limited to focus on its core buisiness.

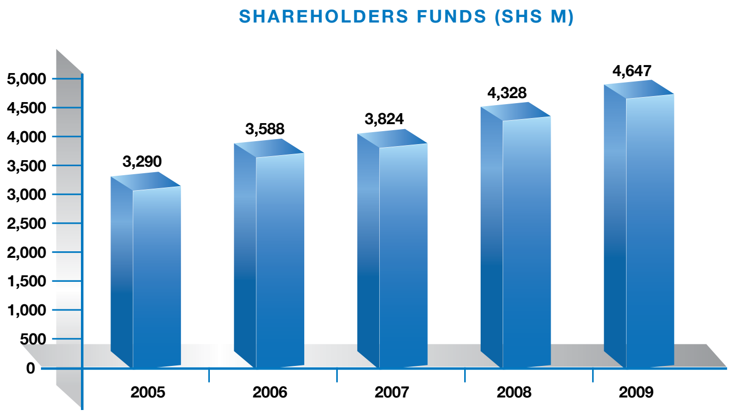


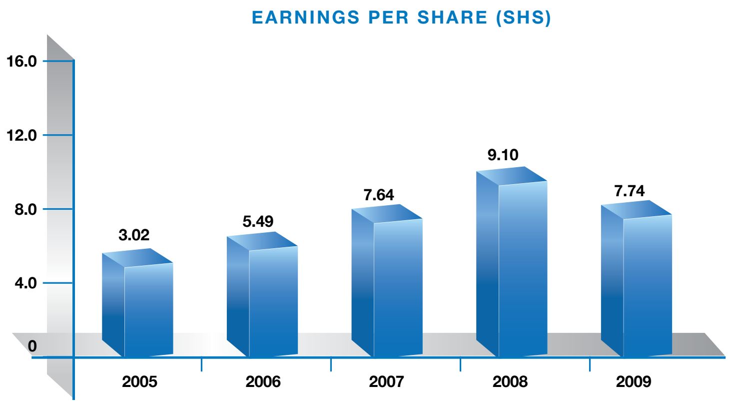
# Chairman's Statement (Continued)

## THE BOARD

During the year, Mr Ali Mufuruki resigned from the NMG board and also as the Chairman and a director of the MCL Board. I would like to take this opportunity to sincerely thank Mr Mufuruki for his dedication and the commitment with which he served the Group.

I take this opportunity to welcome to the Board Dr Yasmin Jetha, who was previously the Chief Operating Officer of the Financial Times London and also Mr Richard Dowden who is an accomplished journalist and television documentary producer and who both bring to the board their relevant international expertise.




## FUTURE PROSPECTS

The year 2010 has started on a strong note and the Group financial performance in the first quarter of the year has been encouraging and we are cautiously optimistic that the results will be better than the previous year.

## 50TH ANNIVERSARY

Your company celebrated its 50th Anniversary, by hosting the Pan African Media Conference held on 18th and 19th March 2010,which was officially opened by His Excellency President Mwai Kibaki, with the keynote speech delivered by His Highness the Aga Khan and was attended by H.E. President Paul Kagame of Rwanda and former Presidents H.E. Joachim Chisano of Mozambique and H.E. Benjamin Mkapa of Tanzania along with many leading personalities. More activities are planned for the year and you are invited to attend the functions that will be advertised in the media.

## APPRECIATION

Finally I wish to express my sincere gratitude to all the board members and to the staff for their continued hard work and dedication to the Group.
To our shareholders and stakeholders, we thank you for your continued support and we shall Stay True To You.

**W D Kiboro**
**CHAIRMAN**

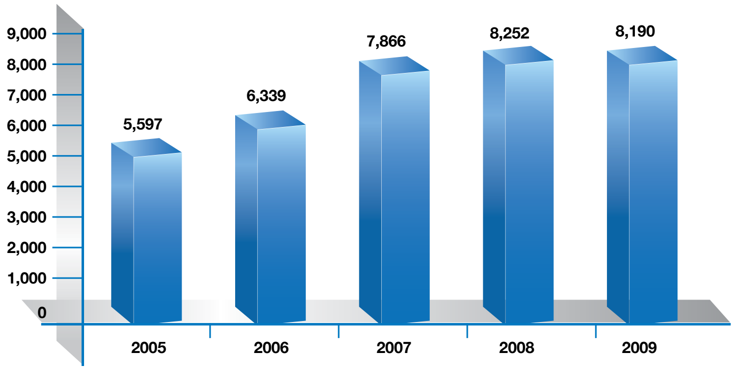
# Taarifa ya Mwenyekiti

Ni furaha yangu kuwawasilishia Ripoti ya mwaka na Taarifa za Kifedha za mwaka uliomalizikia Desemba 31 2009. Mwaka huo ulishuhudia kuzorota kwa uchumi ulimwenguni, hali ambayo iliathiri pakubwa sekta nyingi za kiuchumi.

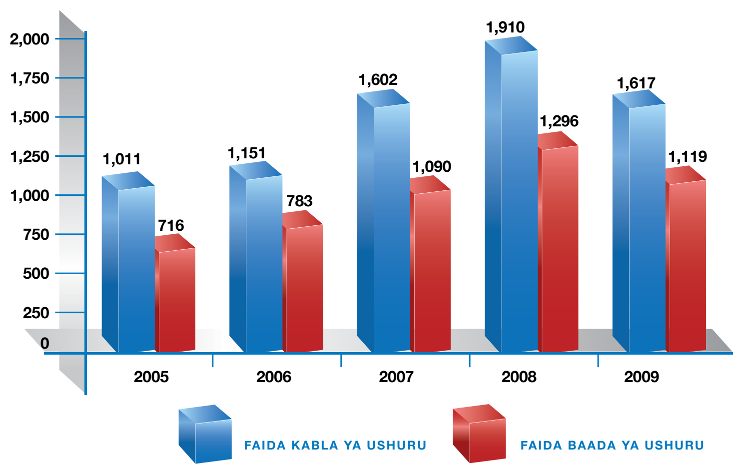
## MATOKEO YA MWAKA WA 2009

Jumla ya mapato ya mwaka yalipungua kigodo kwa 0.7% hadi Shilingi bilioni 8.2 huku faida kabla ya ushuru ikipungua kwa 15% hadi shilingi bilioni 1.6, ikilinganishwa na mwaka uliotangulia.

MAPATO (SHILINGI M)




FAIDA KABLA NA BAADA YA USHURU (SHILINGI M)




Faida ya shirika la NMG inayohusishwa na wenyehisa kwa mwaka huo ilikuwa ni shilingi bilioni 1.1, punguzo la 15% ukilinganisha na mwaka uliotangulia.

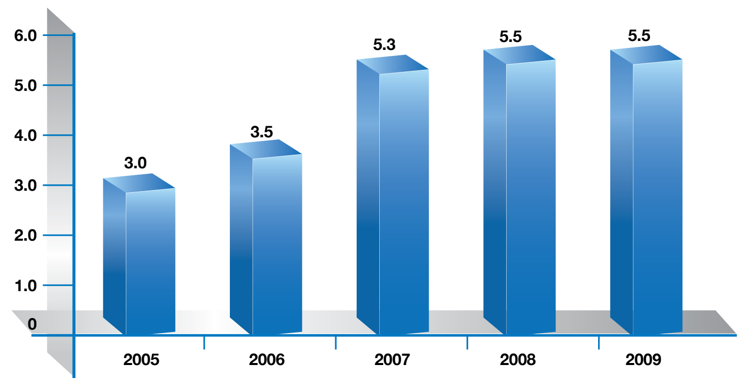
Kwa kiasi fulani, usimamizi wa shirika hili uliathirika kufuatia kuongezeka kwa bei za kartasi ulimwenguni ambayo ilikuwa juu sana katika kipindi cha nusu ya kwanza cha mwaka na kupelekea kupunguza mapato ya matangazo kutoka kampuni nyingi kufuatia taarifa za kuzorota kwa uchumi.

# Taarifa ya Mwenyekiti (Inaendelea)

## MGAO WA HISA

Mgao wa muda wa shilingi 1.50 (60%) kwa kila hisa ulilipwa mnamo tarehe 30 Septemba 2009 na bodi ya wakurugenzi wenu inapendekeza malipo ya mgao wa mwisho ya shilingi 4.00 (160%) kwa kila hisa. Malipo ya jumla ya mgao kwa kila hisa ni sawa na kiasi cha pesa zilizolipwa mwaka jana.

MGAWO WA KILA HISA (SHILINGI)




## KUTOLEWA KWA BONASI

Bodi yenu inapendekeza kuidhinishwa kwa wenyehisa na halmashauri ya usimamizi, kutolewa kwa hisa moja ya bonasi kwa kila hisa kumi zinazomilikiwa katika mtaji wa kampuni uliotolewa. Hisa hiyo ya bonasi itadhaminiwa kutoka kwa hifadhi ya mapato ya kampuni.

## MAUZO YA HISA ZA NMG KWENYE KANDA YA AFRIKA MASHARIKI

Ili kupanua msingi wa ukuaji wa wenyehisa wetu na kuvutia kununuliwa kwa hisa za NMG, shirika hili lina azma ya kuuza hisa zake katika masoko ya nje ya nchi kama vile Soko la Hisa la Uganda, Soko la Hisa la Dar es Salam na lile la Rwanda; yaani (Uganda Securities Exchange, Dar es Salaam Stock Exchange na Rwanda Over The Counter Market), ikisubiri kuidhinishwa na wenyehisa na halmashauri husika za usimamizi katika kila taifa lililotajwa.

## KUTOLEWA KWA HISA KWA WAFANYIKAZI

Mafanikio ya kampuni yoyote ile hutegemea pakubwa kujitolea na bidii ya mchwa ya wafanyikazi wake. Wakati ambapo NMG inapoadhimisha miaka 50, halmashauri ya bodi yenu iliamua kuwapa wafanyikazi zawadi nzuri na inapendekeza muidhinishe, kutolewa kwa hisa 200 za NMG kwa wafanyikazi wa kudumu wapatao 1,235 kutoka Kenya, Uganda na Tanzania, ambayo jumla yake itakuwa ni hisa 247,000.

## SERA NA MIONGOZO YA UHARIRI

Kampuni yenu imekuwa na Sera za Uhariri tokea mwaka wa 1981, iliyoidhinishwa na wenyehisa katika Mkutano Mkuu wa Mwisho wa Mwaka (AGM) wa 1982. Hivi majuzi tu, sera hiyo ya uhariri ilizinduliwa upya ili kushirikisha vitengo vipya vya redio, televisheni na teknolojia ya dijitali. Lengo la kimsingi la Sera hii ya Uhariri ni kuhakikisha kwamba ripoti zinatolewa kwa haki, usawa na bila mapendeleo na kuwapa wanahabari muongozo bora kuhusu mbinu ya utoaji habari hizo na kanuni muhimu za kuwalekeza wanahabari jinsi shughuli hizo zinavyofaa kuendeshwa. Kamati ya Uhariri ya Bodi Kuu ndio mhifadhi mkuu wa Sera hii ya Uhariri na hukutana mara kwa mara na wasimamizi ili kufuatilia mbinu za utendakazi wake ama kukiuka kwa sera yenyewe. Unaweza kupata taarifa ya sera hii kupitia: http://www.nationmedia.com.

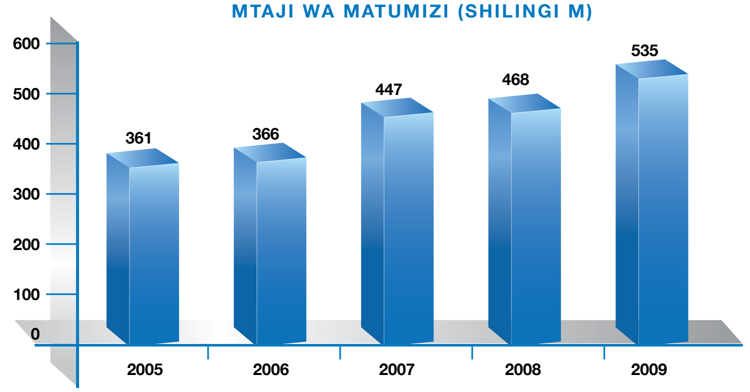
## UKUAJI WA BIASHARA

Bodi yenu iliitunuku kampuni ya Mwananchi Communications Limited huko nchini Tanzania na kununua mitambo mipya ya uchapishaji na machapisho ya kampuni ni thibitisho kamili na kwamba ina uwezo wa kuchapisha rangi kwa wingi, hali ambayo imeongezea usambazaji wa nakala za magazeti. Kampuni hii pia imeweza kupata mikataba tofauti na kadhalika kuchapisha magazeti ya makampuni mengine.

NTV Uganda ilikabidhiwa masafa yanayofika kwenye eneo la takribani asilimia 80% ya nchi nzima na utafurahia kufahamishwa kwamba kwa hivi sasa, NTV Uganda ina watazamaji wengi inatazamiwa kupata faida katika mwaka huu.

Bodi ilifanya maamuzi kabambe ya kubatilisha mkataba ya ushirika uliokuwepo kati ya NMG na Media24 ya Afrika Kusini katika uchapishaji wa majarida, kwa kuuza umiliki wake kwa Majarida ya Afrika Mashariki ili kuzingatia shughuli za biashara yake halisi.

MTAJI WA MATUMIZI (SHILINGI M)



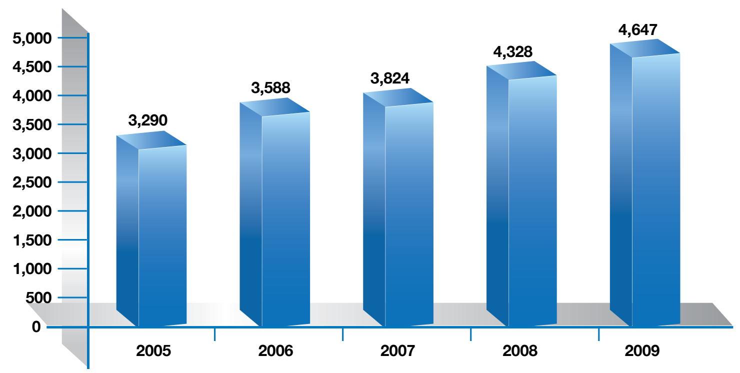
# Taarifa ya Mwenyekiti (Inaendelea)

## BODI KUU

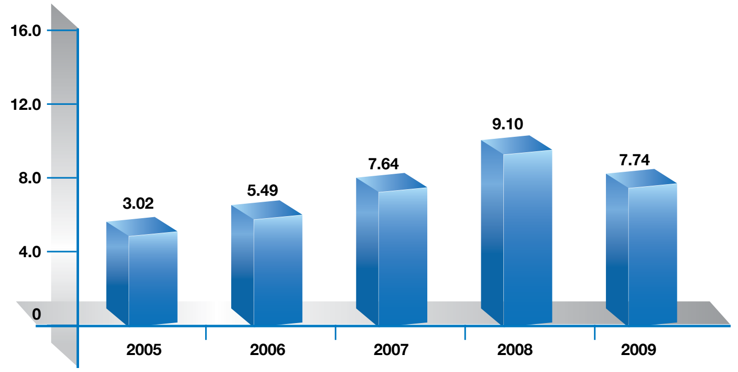
Katika mwaka huo, Bw Ali Mufuruki alijiuzulu kutoka kwenye Bodi ya NMG na pia kama Mwenyekiti na mkurugenzi wa bodi ya kampuni ya MCL. Ningependa kuchukua fursa hii ili kumshukuru kwa dhati Bw. Mufuruki kwa kujitolea kwake na kujihusisha na shughuli za kuhudumia shirika hili la NMG.

Nachukua fursa hii kumkaribisha Dkt. Yasmin Jetha, katika halmashauri ya bodi, ambaye awali alifanya kazi kwenye kampuni ya Financial Times ya Uingereza na pia kumkaribisha Bw.Richard Dowden ambaye ni mwanahabari na projuza wa uchanganuzi wa runinga na ambao wanailetea bodi hii ujuzi na tajriba ya kimataifa.

HAZINA YA WENYE HISA (SHILINGI M)




MAPATO KWA KILA HISA (SHILINGI)




## MAAZIMIO YA BAADAE

Mwaka wa 2010 umeanza kwa kasi na hali halisi ya kifedha ya kampuni ya NMG katika kipindi cha kwanza cha mwaka imeridhisha mno na tuna imani kwamba matokea yatakuwa mazuri kupindukia.

## MAADHIMISHO YA MIAKA 50

Kampuni yenu inaadhimisha miaka 50 tokea kuanzishwa kwake na kufikia tarehe 18 na 19 ya mwezi Machi 2010, ilidhamini Kongamano la Kimataifa la Pan-Africa la Vyombo vya Habari, lililofunguliwa rasmi na Rais Mwai Kibaki, kwa hotuba ya kufungua mkutano huo ikisomwa na Mstahiki Muadhwama Aga Khan na lilihudhuriwa na marais , Mheshimiwa Rais Paul Kagame wa Rwanda, aliyekuwa rais wa Msumbiji, Mhe. Joachim Chisano na aliyekuwa rais wa Tanzania Mhe. Benjamin Mkapa na wastahiki wengine na lilikuwa kongamano lenye mafanikio makubwa. Shughuli nyingine nyingi zimepangwa ili kuuadhimisha mwaka huu na hata wewe unaalikwa kuhudhuria hafla kama hizo ambazo zitatangazwa kwenye vyombo vya habari.

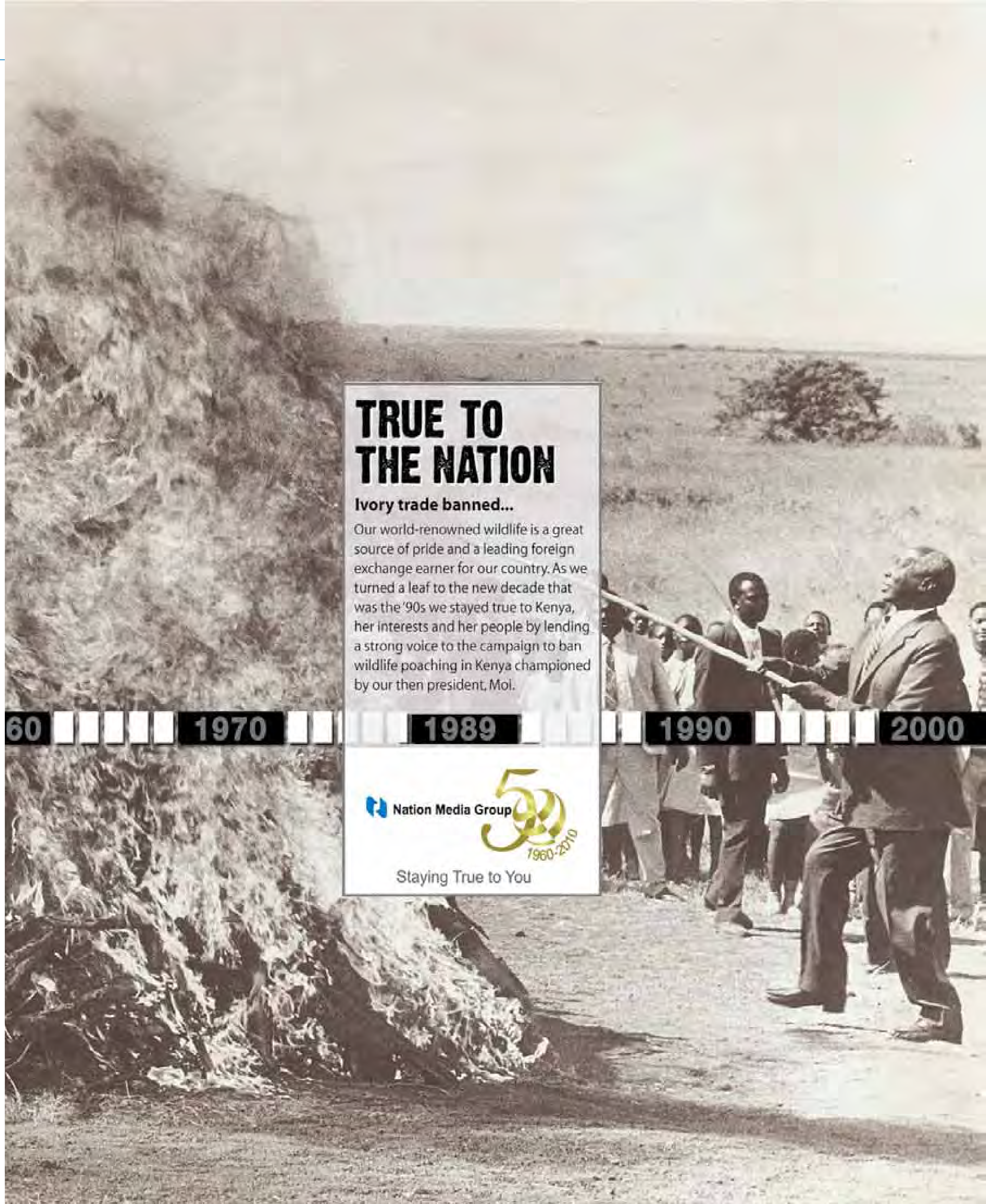
## SHUKRANI

Kwa kuhitimisha, ninawashukuru sana wanachama wa bodi na wafanyikazi wote kwa bidii yao ya mchwa na kujitolea ili kufanikisha shughuli za NMG.

Ninawashukuru wenye hisa wetu na wale ambao wamefanya biashara na kampuni kwa kutusaidia na kusimama nasi na tutaendelea kuwa halisi kwenu.

**W D Kiboro**
**MWENYEKITI**






# Group Chief Executive's Report (Continued)

I am pleased to present the annual report on the performance of the company and the financial statements for the year ended 31st December 2009. This year presented a unique set of challenges and opportunities for our business. The economic challenges brought on by various factors during the year created a tougher operating environment than expected. Our performance however is worth celebrating given the unfavorable business environment that characterized 2009.

The Nation Media Group was founded by His Highness the Aga Khan as a voice for the majority African population as it clamoured for independence. Since Uhuru, the newspaper has been an effective voice of the people. As NMG marks its 50th anniversary, it would be too limiting to perceive this occasion as a mere milestone in the history of a media organization, no matter how successful.

The Nation's path has been closely entwined with the history of Kenya, East Africa, and the entire continent during a period filled with many momentous developments. NMG itself has undergone a remarkable transformation. From two Kenyan newspapers, one in Kiswahili and another in English, the group has grown into the largest multi-media enterprise in East and Central Africa. At the same time, the organization has evolved from a small private company into a publicly-quoted corporation, one of the largest on the Nairobi Stock Exchange, with a majority of its shares owned by individual East African shareholders.

Commemorative occasions also present an excellent opportunity to look toward the future. NMG has had an impressive record of past achievement, dealing successfully over five decades with a wide variety of challenges and opportunities, and emerging as a journalistic trailblazer. NMG's future is based on a continuous ability to learn and to adapt, to attract leaders and employees of the highest quality, and, driven by an ethic of responsible service, maintain the confidence of its reading, viewing, advertising and shareholding constituents which the group is geared to achieve.

## OPERATING ENVIRONMENT:

After a difficult year in 2008, there was no reprieve in 2009 as overall economic activity remained sluggish. Kenya's overall economy stagnated in 2009 as key sectors recorded declined growth, leaving the country vulnerable to large current account deficits, high debt levels, increasing fiscal deficits and declining direct investments.

A disappointment was the signing into law of The Kenya Communications Amendment Act of 2009. The Act was criticized by various stakeholders and members of the diplomatic corps who all understood it as a move aimed at gagging the press. Although the Act is still in force the Media Owners Association and the Kenya Editors Guild are engaging with Government to repeal the various contentious clauses.

An important development in the television industry in 2009 was the launch of Digital Terrestrial Television (DTT) broadcasting to start the migration process from analogue to digital broadcasting. This will require television owners to purchase decoders to access television signals. The migration is set to be concluded by June 2012.

## FINANCIAL & OPERATIONAL PERFORMANCE

The Group revenue decreased by Shs.61.7 million (0.7%) to Shs.8.2 billion, while profit before tax decreased by 15% to Shs.1.6 billion.

During the year under review, investment in capital expenditure was aligned towards improved capacity, quality enhancement and achieving greater efficiency in our print operations as well as the distribution of our products. A total of Shs.535.2 million was invested in capital expenditure with a large proportion going to purchasing of equipment, printing, distribution (motor vehicles) and extension of radio and television broadcasting reach.

The Nation Newspaper division's performance was adversely affected by revenue shortfall due to reduced advertising volumes and high direct costs whose impact was mitigated by savings on operating costs. The Business Daily in particular, continued to register growth in both circulation and advertising revenues and has become a serious and authoritative publication. The East African also benefitted from the revamping of its overall content offering more variety and appeal to readers beyond the regional business community.

The Newspapers in Education (NiE) project's successful launch has helped grow circulation and attract future customer base. NiE is a worldwide initiative in which school textbooks and teaching materials are supplemented with the use of local newspapers. NiE provides newspapers and curriculum guides that cover a variety of subjects.

The Nation Broadcasting divisions' results were adversely affected by revenue shortfall due to the economic slowdown and fragmentation in the industry. Easy fm remains the number one English fm station in Kenya and continues to attract critical listenership, which is expected to yield good results in the coming years. To further enhance the station, Easyfm is now live on the internet. Qfm the Kiswahili radio station that was started in 2008 has registered tremendous growth and is now ranked third among the Kiswahili radio stations in Kenya.

The East African Magazine Limited joint venture with Media 24 of South Africa was terminated following the sale of NMG's shares.

The Nation Carriers division continued to achieve good results with year on year improvement. This follows restructuring of its operations to deliver greater efficiencies. The Daily Metro was discontinued in April 2009 to allow for greater focus on our core print products.

In Uganda, Monitor Publications Limited's performance was affected by revenue shortfall following the slowing down of the economy and high newsprint costs. The Kfm radio station in Uganda registered significant growth in revenue and profitability.

NTV (U) continued with its impressive performance, with advertising revenue growing by more than 80%. It expanded its broadcast reach outside Kampala and now covers more than 80% of the country and is ranked as the number one television station in Uganda.

In Tanzania, Mwananchi Communications Limited, invested in a state of the art printing press to enhance the quality and growth of our products.

## PRODUCT INNOVATION

The Broadcasting division re-launched NTV to energize content offering and stability in viewership. The new NTV livery weaves itself into our everyday lives through news, information and programming that captures the new spirit NTV promises its viewers - to keep them captivated and glued to their screens.

Further, in December, the Broadcasting division launched eAfrica through a two-year distribution agreement for the supply of entertainment network feed daily. The new station has received positive reviews and will attract additional advertising revenues.

The Digital division has continued to launch new products that position it to take advantage of the new media trends. In addition, Africa Media operations were set up as a department to champion the group's vision to be the Media of Africa for Africa.

The Digital platform steadily grew in 2009 with dynamic, sharp new product based e-paper websites that keep readers informed. Online readers can now sample the exact copy of the Daily Nation, Taifa Leo and Business Daily through subscription. A new development in the Digital division is the launch of an online classifieds services called N-Soko at http://www.nsoko.com that is set to change the way people use classified advertising. Currently the site provides opportunities for properties and car sales, jobs and tender notices.

# Group Chief Executive's Report (Continued)

The group has continued to enhance entrepreneurial and corporate leadership among East African companies through its support for The EastAfrican & PriceWaterhouseCoopers partnership for the CEO Most Respected Company Awards 2009 and the Business Daily & KPMG partnership for the Top 100 Mid-Sized Companies Awards. The two awards have become East Africa's premier annual events for many corporations in the region.

## CORPORATE SOCIAL RESPONSIBILITY & COMMUNITY INVESTMENT

NMG has distinguished itself as a leader in community engagement with robust programmes in environment, health, education, food relief and sports. Our programmes have become the most committed vehicles to implement community social development on behalf of the Group. In 2009, the group continued to review existing philanthropic programmes with a view to position the group as a responsible force for progress in our communities by: Investing in community initiatives that improve the quality of life; Encourage and support employee and management involvement in the community, through volunteerism and participation; Facilitate productive relationships between NMG and its diverse constituencies; and Increase awareness of NMG's best practices as a leader among media organizations journalistically, philanthropically and as an employer.

## OUR PEOPLE

Our success could only be achieved by ensuring we are able to attract and retain the right people to the right roles. People resources are a key enabler and the business growth has been supported by recruiting high caliber staff at all levels. We have continued to increase our training and development activities to ensure that we have well grounded staff to support our growth agenda. As a result, many of our people have had opportunities to take up higher responsibilities in the group. We remain committed to enabling our employees to be the best they can be in all areas of their professional and personal lives. We continue to sponsor a comprehensive wellness programme that ensures the well being of our people and their families.

On Corporate Culture – The Nation Way, our practical way of living out our values, we have continued to excel in our top line principles and reduced the bottom line principles by focusing on the Fomula for Success. These have been inculcated in the corporate life and have contributed to a great work environment and results orientation. Our commitment is to make NMG the preferred employer of choice in the region. We place great emphasis on the role played by employees and will continue to be involved in offering the skills they need to succeed in the continuously evolving business environment that unlocks the full potential of the NMG staff.

## APPRECIATION

Our success is demonstrated by the passion, dedication and teamwork of our employees which has been fundamental in delivering our objectives. I would like to sincerely thank the management and staff for this sterling performance, our readers, viewers, listeners and other business partners for the support extended to us in 2009.

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

**L W Gitahi**
**GROUP CHIEF EXECUTIVE OFFICER**

# Ripoti ya Afisa Mkuu Mtendaji wa Kampuni

Ni kufuatia matokeo haya ambapo nina furaha ya kuwawasilishia ripoti ya mwaka ya utendakazi wa kampuni na taarifa za kifedha za mwaka uliomalizikia Desemba 31, 2009. Mwaka huu ulikuwa na changamoto za kipekee na nafasi nzuri za kibiashara. Changamoto hizo za kibiashara zilipelekea kuwepo kwa mambo mengi katika mwaka huo na kusababisha mazingira magumu ya kufanyia kazi kuliko ilivyokuwa imetarajiwa. Hata hivyo, matokea yetu niya kupigiwa upatu ukizingatia mazingira magumu ya kibiashara yaliyokuwepo kwenye mwaka wa 2009.

Kampuni ya Nation ilianzishwa na Mstahiki Muadhamu Aga Khan kama chombo cha kutolea sauti za watu wa bara la Afrika wakati lilipokuwa likipigania uhuru wake. Baada ya Uhuru, gazeti hili lilikuwa sauti madhubuti ya wananchi. Wakati ambapo shirika la Nation Media Group (NMG) linapoadhimisha miaka 50 ya utendakazi wake, itakuwa ni ubadhirifu kuyachukulia maadhimisho haya kuwa tu kama tukio la kawaida katika historia ya mashirika ya habari, hata likiwa lenye ufanisi wa aina gani.

Utendakazi wa Nation umejiviringa vyema katika historia ya Kenya, Afrika Mashariki, na bara zima kwa jumla kwenye kipindi kilichojaa mikakati ya maendeleo. NMG pekee imepitia njia nyingi za mabadiliko. Kutokea kipindi cha magazeti mawili madogo, moja la Kiswahili na jingine la Kiingereza, nusu-karne iliyopita, shirika hili limekua na kuwa Shirika Kuu la Habari kwenye kanda ya Afrika Mashariki na Kati.Kwa wakati huo huo, kampuni hii ilikuwa kampuni ndogo ya kibinafsi na hivi sasa ni shirika la umma, mojawapo ya mashirika makubwa ya umma kwenye Soko la Hisa la Nairobi, hisa zake nyingi zikiwa ni za wenyehisa-binafsi kutoka Afrika Mashariki na Kati.

Matukio ya maadhimisho haya yanatupatia fursa muafaka ya kuzipigia darubini siku zetu za usoni. NMG imekuwa na historia nzuri ya matokeo yake ya awali, kunafikiwa kwa kipindi cha miaka 50 huku pakiwa na changamoto na mafanikio mengi, na kujitokeza kama bingwa wa vyombo vya habari. Lakini sasa, shughuli za baadae za NMG zinategemea pakubwa uwezo wake wa kusoma na kutumia, kuwavuta viongozi na wafanyikazi bora, na, huku ikiendeshwa na huduma zenye maadili na uwajibikaji, kuendelea kuwafurahisha wateja wake kwa uandishi mzuri, utazamaji, utangazaji na wadau wote wenye hisa.

## MAZINGIRA YA UTENDAKAZI:

Baada ya mwaka mgumu wa 2008, hapakuwa na tofauti kubwa na mwaka wa 2009 kwani viwango vya jumla vya kiuchumi vilibakia kuwa chini. Uchumi wa jumla wa Kenya, ulizorota mnamo mwaka wa 2009 huku sekta muhimu zikiandikisha mapato ya chini, na kuiacha Kenya katika madeni makubwa, viwango vya juu vya madeni, kuongezeka kwa madeni ya kifedha na kupungua kwa hifadhi ya fedha za kigeni.

# Ripoti ya Mkurugenzi Mkuu (Inaendelea)

Mipango muhimu ya mwaka wa 2009 ilikuwa ni pamoja na kutiwa sahihi na kufanywa sheria kwa Kifungu cha Sheria cha Mawasiliano cha 2009 mnamo mwezi Januari. Kifungu hicho cha Sheria, kilipingwa pakubwa na wanahabari, wamiliki wa vyombo vya habari, baraza la vyombo vya habari, mashirika ya umma, wabunge na wanachama wa balozi mbali mbali ambao kwa pamoja walilalamika kwamba sheria hiyo ilikuwa ya 'kiubabe-dume' iliyozingatia kanuni za kiimla na iliyotaka kuhujumu uhuru wa vyombo vya habari. Ijapokuwa Sheria hiyo imepitishwa lakini bado Wamiliki wa Vyombo vya Habari na Chama cha Wahariri wa Kenya wanaendelea kujadili na Serikali ili kubatilisha baadhi ya vipengee hivyo vya kiubabe-dume.

Maendeleo mengine yaliyojitokeza katika mwaka wa 2009 yalikuwa ni kuzinduliwa kwa mfumo wa kidijitali kwenye utangazaji (digital broadcasting). Kuzinduliwa kwa utangazaji wa Digital Terrestrial Television (DTT) kuliifanya Kenya kuwa taifa la pili barani Afrika kujiunga na taratibu za kuhama kutoka kwa mfumo wa utangazaji wa analogi kwenda ule wa dijitali. Uhamiaji huo unatazamiwa kukamilika mnamo mwaka wa 2015.

## MATOKEO YA KIFEDHA NA KIUSIMAMIZI

Mapato na faida ya kampuni yalipungua kwa shilingi milioni 61.7 (0.7%) hadi shilingi bilioni 8.2, huku faida kabla ya ushuru ikipungua kwa 15% hadi shilingi bilioni 1.6. Katika kipindi cha mwaka huu, uwekezaji wa mtaji wa matumizi ulielekezwa katika kuboresha nyenzo za utendakazi, ubora na kupata viwango vya juu vya kibiashara kwenye usimamizi wa shughuli za magazeti na pia katika usambazaji wa bidhaa zetu mbali mbali.

Jumla ya shilingi milioni 535.2 ziliwekezwa kwenye mtaji wa utendakazi huku kiwango kikubwa kikipangiwa kutumika kwenye uchapishaji, usambazaji (magari) na kupanuliwa kwa masafa ya minara ili kuwafikia watazamaji na wasikilizaji wengi.

Utendakazi wa Idara ya Magazeti ya Nation uliathirika pakubwa kutokana na kupungua kwa mapato ya matangazo na gharama za moja kwa moja ambapo suluhu yake ilitokana na kupunguzwa kwa gharama za matumizi. Hususan, gazeti la The Business Daily, liliendelea kuandikisha ukuaji mzuri katika usambazaji na pia kwenye matangazo na limekuwa gazeti la kutegemewa na linalopendwa. Gazeti la The East African limeimarika baada ya kuzinduliwa upya na kulipatia sura mpya ili kupendwa na wasomaji na wanabiashara wote kwenye kanda nzima ya Afrika Mashariki.

Kuzinduliwa kwa Mradi wa Magazeti kwa Shule yaani 'The Newspapers in Education (NiE) Project', kumesaidia pakubwa katika kukuza usambazaji na kuongeza idadi ya wasomaji wa baadaye. Mradi wa NiE ni mradi wa ulimwengu mzima ambapo vitabu vya kiada vya shule na vitabu vya kufundishia vinabadilishana majukumu kwa matumizi ya magazeti ya kawaida kama chombo cha kufundishia na uelewa wa lugha. Mradi wa NiE hutoa magazeti na muongozo wa mtaala unaoshughulikia masomo mengi.

Matokeo ya Kitengo cha Utangazaji (NBD) yaliathirika na mapato yake kupungua kufuatia kuzorota kwa uchumi na mikorogo katika sekta ya vyombo vya habari. Redio ya Easy fm iliendelea kuongoza na kuwa nambari 1 kwenye orodha ndefu ya stesheni za Kiingereza humu nchini na inaendelea kuwa kivutia kikubwa kwa wasikilizaji wengi, bado inatazamiwa kutoa matokeo mazuri kwenye miaka ijayo. Ili kukiboresha vyema kituo hiki, kituo cha Easyfm kwa sasa kinapatikana kwenye mtandao wa tovuti. Kufuatia kuimarisha usimamizi wake na kuongezea vipindi vya humu nchini kuliko vingine ili kutimiza mahitaji ya wateja wetu, kuna dalili nzuri za kushamiri katika siku za usoni. Kituo cha redio cha Kiswahili cha Qfm kilichoanzishwa mnamo mwaka wa 2008 kimesajili matokeo mazuri na kwa hivi sasa kimeorodheshwa kama kituo cha tatu bora nchini Kenya katika stesheni zinazotangaza kwa Kiswahili.

Ubia wa kibiashara wa jarida la The East African Magazine Limited ulisitishwa mnamo mwaka wa 2009 baada ya kupigia darubini hali ya biashara yake ya baadae.

Kitengo cha Nation Carrier kiliendelea kupata matokeo bora mwaka baada ya mwaka. Hii ni baada ya maamuzi ya kukarabati mfumo wa usimamizi wake ili kutoa huduma bora zaidi. Gazeti la The Daily Metro pia lilifungwa mnamo mwezi Aprili mwaka wa 2009 ili kutoa nafasi nzuri ya kushughulikia bidhaa zetu nyingine.

Huko nchini Uganda, matokeo ya kampuni ya gazeti la Monitor Publication Limited yaliathirika kwa kupungua kwa mapato kufuatia kuzorota kwa uchumi na gharama ya juu ya kartasi. Redio ya Kfm huko nchini Uganda kilisajili ukuaji mzuri katika mapato na faida kufuatia mabadiliko ya wasimamizi.

Kituo cha runinga cha NTV (U) kiliendelea kuonyesha matokeo ya kupendeza, huku mapato ya matangazo yakiongezeka kwa zaidi ya asilimia 80%. Ilipanua masaf ya minara yake ili kufikia watazamaji wengi nje ya Kampala na sasa inawafikia zaidi ya 80% ya watazamaji wake na imeorodheshwa kama kituo nambari moja nchini Uganda.

Huko nchini Tanzania, baada ya kununua wenyehisa wadogo wadogo wa kampuni ya Mwananchi Communications Limited, shirika la NMG liliwekeza kwa mitambo mipya na ya kisasa ya uchapishaji ili kuboresha na kukuza bidhaa magazeti yetu huko nchini Tanzania.

## UVUMBUZI WA BIDHAA

Mnamo Julai 2009, kitengo cha NTV kilizinduliwa upya ili kuleta sura mpya ya habari na vipindi vyake na pia kuisaidia stesheni kujikuza upya kwa watazamaji. Hiyo NTV iliyozinduliwa, kwa sasa inayagusa pakubwa maisha ya kila siku ya wakenya wengi kupitia habari, taarifa



# Ripoti ya Mkurugenzi Mkuu (Inaendelea)

na vipindi mbali mbali na kadhalika inaichukua sura mpya ya NTV na kufikisha ahadi mpya kwa watazamaji ili kuwafanya wagande katika runinga zao kila jioni na usiku kucha.

Zaidi ya hayo, mnamo Desemba 2009, Kitengo cha utangazaji kilizindua kituo kingine cha eAfrica kupitia kwa mkataba wa miaka miwili ya kusambaza mtandao wa tafrija kila siku.

Kituo hicho kipya kimepokea sifa kochokocho kutoka kwa watazamaji. Kitengo cha Dijitali kimeendelea kuzindua bidhaa zake ili kujitayarisha vyema kwenye soko hili jipya. Hata hivyo, shughuli za vyombo vya habari barani Afrika zilianzishwa ili kusimamia malengo ya Nation Media Group ya kuwa Shirika la Habari la Afrika kwa Waafrika yaani Media of Africa for Africa.

Kitengo hiki cha Dijitali kilianza kukua mnamo mwaka wa 2009 baada ya kuanzisha miradi ya bidhaa mpya za wavuti zinazowafanya wasomaji na watazamaji wetu kupata taarifa na mukhtasari wa habari za magazeti yetu. Wasomaji wanaotumia mitandao kwa sasa wanaweza kusoma nakala yao halisi ya magazeti ya: Daily Nation, Taifa Leo na Business Daily kupitia kwa kulipia. Kuzinduliwa kwa mradi mpya wa kitengo cha Dijitali unaofahamika kama N-Soko kupitia http://www.nsoko.com. Mradi wa N-Soko ni bidhaa ya mtandaoni inayotazamiwa kubadilisha jinsi watu wanavyotumia mbinu ya matangazo madogo madogo yaani classified advertising. Kwa hivi sasa, wavuti huu unampatia msomaji fursa ya kudurusu masuala ya nyumba, mauzo ya magari, kazi na taarifa za tenda.

Kampuni hii inaendelea kuboresha biashara na usimamizi wa kiushirika kati ya kampuni nyingi za Afrika Mashariki kupitia kwa ubia na usaidizi wa The East African na PriceWaterhouseCoopers kupitia kwa shindano la tunu kwa CEO Most Respected Company Awards 2009 na ubia na ushirikiano wa Business Daily na KPMG katika Top 100 Mid-Sized Companies Awards. Mashindano haya mawili ya kila mwaka yamekuwa kiunganishi kikuu cha kipekee kwa mashirika mengi katika kanda ya Afrika Mashariki.

## UWAJIBIKAJI NA UWEKEZAJI KATIKA JAMII

Katika masula ya uwajibikaji kwenye jamii, shirika la NMG limebaki kuwa kiongozi katika mahusiano na wanajamii kupitia miradi yake mikubwa ya mazingira, afya, elimu, kutoa misaada ya chakula, na michezo. Miradi yetu imekuwa mifano bora na chombo cha kujitolea katika kuzisaidia jamii mbali mbali kwenye shughuli za maendeleo kwa niaba ya Nation Media Group Limited. Katika mwaka wa 2009, iliendelea kushughulikia miradi yake ya kuisaidia jamii kwa lengo la kujitolea na kujizatiti katika utoaji huduma kwa wateja na wanajamii kwa: Kuwekeza katika miradi itakayokuza na kuboresha maisha ya wanajamii; Kuhimiza na kusaidia wafanyikazi na wasimamizi kujihusisha na shughuli za kijamii, kupitia kwa wafanyikazi kujitolea na kuhusika wenyewe; kujenga mifumo ya uhusiano bora kati ya NMG na washirika wake; na kutangaza kwa uzuri za sera za NMG kama shirika bora la masuala ya usambazaji wa habari, katika utoaji misaidi kwa jamii na muajiri bora.

## WATU WETU

Mafanikio yetu yanatokana na kupatikana na kuwepo kwa wafanyikazi wanaoweza kutekeleza majukumu yao vilivyo. Watu ni vianzo vizuri vya ufanisi na kukua kwa biashara kumesababishwa na kuandika kazi wafanyikazi wazuri katika viwango vyote mnamo 2009. Tumeendelea kuongeza mafunzo yetu na shughuli za maendeleo ili kuhakikisha kwamba tuna wafanyikazi wakutosha katika kutimiza ajenda ya maendeleo. Kwa hali hiyo, wafanyikazi wetu wengi wamefaulu kupewa majukumu ya ngazi ya juu kwenye kampuni hii. Tutadumu kujitolea kuwasaidia wafanyikazi wetu kukuza vipawa na uwezo wao wa kitaalamu na hata katika maisha yao ya kibinafsi. Tunaendelea kudhamini mradi wa kuwaimarisha wafanyikazi ili kuyafanya maisha yao nay a familia zao kuwa bora zaidi.

Kuhusu tamaduni za shirika letu – Mfumo wa Nation yaani (The Nation Way) njia yetu ya kipekee ya kuishi kimaadili, tumeendelea kushamiri kupitia kanuni zetu za ubora na kusitisha taratibu mbovu za utendakazi kwa kuzingatia mfumo wa ufanisi yaani (Fomula for Success). Taratibu hizi zimeshirikishwa kwenye maisha ya kiusimamizi na zimechangia pakubwa katika mazingira ya kazi na matokeo bora. Ahadi yetu ni kulifanya shirika hili la NMG kuwa muajiri bora litakalobakia kuwa chaguo la kila mfanyikazi. Tunatilia mkazo sana majukumu ya mfanyikazi na tutaendelea kuwapa wafanyikazi wetu maarifa ya kazi ili waendelee kuthibiti vyema mazingira ya kibiashara na hatimaye kuuweka wazi uwezo kamili wa wafanyikazi wote wa NMG.

## SHUKRANI

Mafanikio yetu yanadhihirishwa na utendakazi wetu, kujitolea na ushirikiano wa wafanyikazi wetu ambao umekuwa kama msingi thabiti wa kutimiza malengo yetu. Ningependa kuwapongeza kwa dhati wasimamizi na wafanyikazi wote kwa matokeo haya mazuri, wasomaji wetu,watazamaji, wasikilizaji na washirika wetu kwa usaidizi wao katika mwaka wa 2009. Naomba niwahakikishie tena ya kwamba shirika hili limejitolea mhanga na litaendelea kutoa huduma bora kwenu.

Kwa kuhitimisha, ningependa pia kutoa shukrani zangu za dhati kwa bodi kuu ya wakurugenzi kwa kuendelea kutoa mikakati ya usaidizi na uongozi bora.

**L W Gitahi**
**MKURUGENZI MKUU MTENDAJI**

# Corporate Social Responsibility

"NMG's seeks to position itself as a responsible force for progress in our communities; journalistically, philanthropically and as an employer."

Nation Media Group's has distinguished itself as a leader in community engagement with robust programmes in environment, health, education, food relief and sports. Our programmes have become committed vehicles for implementing community social development on behalf of the group. In 2009, NMG continued to review existing philanthropic programmes with a view to position the group as a responsible force for progress in our communities.

2009 was a transformative year for NMG's corporate social responsibility agenda. Our key focus was to review existing philanthropic programs and strengthening our partnerships between NMG staff involvement and the various communities we serve. We also took time to re-evaluate our CSR policy with a view of cascading activities across our entire business.

## MOUNTAIN OF FOOD

NMG was an active partner and contributor towards the year's worst food crisis, following the failure of rains in 2008/2009 seasons. The drought left many communities destitute and without food and water. 25 Nation staff members scaled the summit of Mt. Kenya to raise funds towards alleviation of hunger across the country. The initiative raised a total of Shs.8 million with Shs.5 million going towards the Kenya Red Cross Famine Relief initiative and Shs.3 million allocated towards famine victims in Malindi, Lango Baya in the Coast Province and Ikutha, Kitui and Mutha in Eastern Province.

## EDUCATION

NMG through its partnership with the Palmhouse Foundation enhanced its educational support by sponsoring 16 students in 2009 at a cost of Shs. 3.2 million. The Palmhouse Foundation finances secondary school education of needy and deserving bright students, mentoring them through life. To date, nearly 200 students have benefitted from the initiative since its establishment in 2002. The Nation's first batch of eight students will matriculate in 2010.

NMG supported several rural based schools to refurbish their class rooms and furnish them with new desks. Anindo Ooko School in Homabay was such a beneficiary with donations of desks, bookshelves and cabinets for the staff room. Under the Wingo Charity Programme, which is a joint CSR venture between NMG and the Kenya Charity Sweepstakes, the school also benefitted from a cash donation of Shs.400,000 towards the upgrading and construction of two classrooms.

The NMG team in Tanzania donated hearing aids, sign posts and sponsored a zebra crossing to Buguruni Primary School in Dar-es-salaam in Tanzania. This special school caters for the educational needs of 70 physically challenged children. NMG selected this school because many children were being knocked down by motorists because of their hearing disability as they made their way to school.

In Uganda, Monitor Publications Ltd, a subsidiary of NMG in collaboration with the Ugandan Ministry of Education, launched the Monitor Mentorship and Excellence Awards scheme. The programme which is a scholarship scheme, aims to reward excellence and groom 24 children annually to become citizens that can bring change to the nation. The scholarship is an extension of the Newspapers in Education (NiE), which is a worldwide initiative where school textbooks and teaching materials are supplemented with the use of local newspapers. NiE provides newspapers and curriculum guides that cover a variety of subjects to schools.

24 beneficiaries of the Monitor Mentorship and Excellence Award scheme after the Mentorship Conference.

## ENVIRONMENTAL CONSERVATION

The Mau Forest Complex is home to 400 species of birds, 50 species of mammals and 300 species of plants. Almost all of the rivers in western Kenya that drain into Lake Victoria rely on it. Other lakes in the Rift Valley like Lakes Nakuru, Naivasha, Baringo and Turkana also rely on the forest for water catchment. Kenya's tourism, agriculture and energy sectors also rely heavily on the Mau.



# Corporate Social Responsibility

In 2009, through concerted media coverage of the destruction of the Mau ecosystem, it became clear that the forest was disappearing and could soon become extinct. For this reason, Nation Media Group, East African Breweries Limited (EABL), Equity Bank, Kenya Wildlife Service and the Green Belt Movement came together and resolved to turn over a new leaf and help restore the Mau and as a result the Save the Mau Programme was born. The fund seeks to plant and maintain three million tree seedlings in the catchment area as well as moot campaigns to raise awareness on reforestation nationwide.

Nation Media Group and Equity Bank will each give Shs.15 million over three years towards this programme. EABL will give Shs.30 million over the next three years. The fund hopes to raise a total of Shs.300 million.

Since July 2009, 25,000 seedlings have been planted in the Maasai Mau Escarpment in Naisoya in Narok. This event involved more than 3,000 partners, employees and local community members.

On its part NMG initiated "The Nation 888 National Tree Planting Tour", an environmental campaign that gave NMG staff opportunities to plant trees in 8 areas in 8 provinces in 8 weeks in conjunction with QFM Radio. The campaign involved staff from the head office and bureaus countrywide and planted 15,000 trees in Kisumu, Tala, Thika, Mombasa, Garissa, Kakamega, Nakuru, and Nairobi.

NMG was a key partner in The Aberdares Trust Fund initiative in 2009. The fund a partnership between NMG, Rhino Trust Fund and managed by Church Orr was a project to erect an electric fence covering 254 kms around the Aberdares forest to stop the destruction of the ecosystem. Aberdares is a precious site of valuable biodiversity in Kenya. The park is famously known for its critically endangered species including the black rhino and the mountain bongo. NMG raised a total of Shs. 22 million towards the fund.

In November, fifty life size lion sculptures were auctioned off to the highest bidders, in what can only be described as a spectacular celebration of Kenya's magnificent wildlife heritage. Organized by the Born Free foundation in collaboration with Wild in Art, the star studded event marked the climax of the Pride of Kenya project, raising Shs.12 million for wild lion conservation. NMG sponsored two lions and donating Shs.400,000 towards the project.

## DONATIONS/SPONSORSHIPS

NMG through its sponsorship and donations agenda provided assistance for the following other initiatives: The Kenya Drama Festivals (Shs.2.5 Million), The Nyeri Hospice (Shs.100,000), Operation Smile (Kshs. 30,000), Nairobi Hospital Cancer Unit (Shs. 100,000), UUNET Ear Race (Shs.50,000), The Annual Diabetics Walk (Shs.100,000) and The Robert Ouko Memorial Library (Shs. 100,000).

## WINGO CHARITIES

Wingo is a TV game show created by NTV and supported by Kenya Charity Sweepstakes (KCS). As part of the show, a quarter of all the proceeds are given out to various deserving charities.

Nation Staff from the Nakuru Bureau and Nation Centre plant trees during the 888 National Planting Tour Campaign in Rift Valley province.


The Save the Mau Fund Trustees at the inauguration of the fund in Nairobi in July 2009. In attendance was, Julius Kipng'etich, KWS, Alban Mwendar - EABL, James Mwangi - Equity Bank, Linus Gitahi - NMG.

# Corporate Social Responsibility (Continued)

The game show has become a huge success and Season 3 is currently underway. In 2009, the following charities were supported as part of the proceeds from the game show. These included:

- Bahari Girls integrated school for the construction of staff houses
- Kalivu Water Pan Project, Ikutha
- Anindo Ooko Primary School for construction of 2 classrooms
- Amani Children's Home for the construction of orphans' home
- Nyambiri Secondary School for the construction of a school lab
- Nelly Children's School in Hola towards HIV AIDS Orphans
- Nyumba ya Baraka  Rehabilitation Centre
- Operation Smile Campaign in Meru

Mr. Sam Shollei, MD Mwananchi Communications Ltd, helps a student from Buguruni Primary School to put on a hearing aid donated by MCL.


Nation Media Group staff at Lenana Peak the climax of a week-long climb of Mount Kenya to raise money for food for starving Kenyans. The journalists, comprising of staff from Kenya, Uganda and Tanzania raisised Shs.8 million.

# Human Resources

## CULTURE PROGRAMME – 'THE NMG WAY'

We started the year by implementing the key outcomes from the 2008 culture evaluation report. This led to the second evaluation in June where 88 per cent of employees Kenya participated. This was a remarkable improvement from the previous year, reflecting an enhanced sense of ownership from the majority of our employees. The most improved enablers were: Social and Community responsibility, Dedication and Commitment, Attracting and Retaining the best, and Results Oriented. Having the 'NMG Way' clearly defined has been of benefit to management and staff as we now have a common code of conduct, clearly defined behaviors as we all work towards the same desired workplace culture.

## TALENT MANAGEMENT

### Media Lab Programme

The journalist trainee programme has graduated a total of 42 trainees since inception in 2007, and the figure will rise to 61 by end of 2010. The programme admits students from various disciplines, who have a passion for journalism. Some of the disciplines are: science, bio-technology, commerce and law. They are meant to bring on board specialist skills to strengthen our reportage of business, health and environment, law and security. The past graduands have settled well in their specified areas of deployment, with most receiving positive reviews from their managers. We have had two trainees promoted to senior positions, while six have received or have been nominated for various awards.

### Talent Reviews

We made significant improvements on the talent identification and review processes, with all business divisions and departments taking part in it. This has resulted in better succession planning, termination of contracts for poor performers, organising skills training for deserving employees and mapping out clearer career path for growth within the company. This process has and continues to address one of our culture top line principles, namely Clear Career Path, which has been identified by staff as a critical element that requires the management's attention.

Training at the Media Lab is intense and practical. Trainees are exposed to the art of doing journalism and, for that matter, doing it thoroughly well.

# Human Resources (Continued)

## Internships

(i) International Programme

The 2009 international Canadian Internship programme coordinated through the AKDN network started in July with two trainees, one in Kenya and the other in Uganda. In 2008, we recruited 6 international interns from the USA, UK, Canada and Denmark. The programme has enriched and strengthened our local internships programme and provided a forum for sharing of ideas and best practice.

(ii) Local programme

During the year, we recruited 38 local interns from various universities, providing them with a chance to horne their skills in their respective areas of specialization. The interns have had an opportunity to work with our skilled journalists in print, TV and Radio, and other departments: finance, TV production, marketing, IT, digital and production, making this programme a good training ground and talent pool for NMG.

## INNOVATIONS

### HR Processes Automation- Recruitment Process:

Leave management has been streamlined in Kenya through automation. This has resulted into accurate computation of leave entitlements and also freed the HR team to perform other critical functions. The system is now being rolled out in Uganda and Tanzania and, the newly installed HR software at MPL and NTV-Uganda has resulted in more efficiency and improved customer service.

## REWARDS AND BENEFITS

### Staff Awards Scheme

In an effort of entrenching our corporate values as well as emphasizing greater performance and innovations from our staff, we rolled out a Rewards and Recognition policy where deserving staff are recognised and rewarded during all staff quarterly meetings. Recognised staff receive cash awards and certificates at the end of year staff party. Our overall best employee in 2008 was from the Production Department and he received a gift package of a three-day family holiday in Mombasa.

### Staff Welfare

Presentations were made to staff members on health issues and in particular, female employees were vaccinated against cervical cancer.

We held a Financial Fair for all our staff and their families, where they were given tips on how to invest their income and create wealth. The full-day fair was well attended, with investment consultants giving one-to-one advice to employees. Another event was a ladies breakfast during which they discussed issues about family and work balance, and how to cope with the resultant challenges.

## HIV/AIDS PROGRAMME

In our effort to strengthen HIV and Aids education, 40 new peer educators were trained in collaboration with the National Organisation for Peer Education (NOPE). The team is expected to play a key role in influencing behavioral change among staff to enable the company achieve an HIV and Aids free environment. During the World's Aids day (1st December, 2009), NMG was one of the few private organisations in Kenya that received HIV Counseling and Testing services from Liverpool VCT Care and Treatment Center. This was a very successful event which was dubbed "The Rapid Response Initiative week, led by the Group CEO. Senior managers and staff were tested and encouraged other staff to get tested. A total of 348 (227 male and 121 female) NMG employees turned out for testing. This awareness which lasted for a whole week was indeed successful.

The Nation Media Group Way clearly defines a common code of conduct that defines behavior at work and in the community.



# Board of Directors / Halmashauri ya Wakurugenzi

| | | |
|---|---|---|
| Chairman (Kenyan) | W D Kiboro | Mwenyekiti (Mkenya) |
| Chief Executive/ Managing (Kenyan) | L W Gitahi | Mrasimu mkuu/Msimamizi (Mkenya) |
| (Ugandan) | M J Aliker | (Muganda) |
| (Kenyan) | D Aluanga | (Mkenya) |
| (British) Appointed 16 March 2010 | R Dowden | (Mwingereza) Aliteuliwa 16 Machi 2010 |
| (Kenyan) | S Gitagama | (Mkenya) |
| (American) | L Huebner | (Muamerikani) |
| (British) | J Lee | (Mwingereza) |
| (British) Appointed 24 September 2009 | Y Jetha | (Mwingereza) Aliteuliwa 24 Septemba 2009 |
| (Tanzanian) Resigned 28 May 2009 | A Mufuruki | (Mtanzania) Alijiuzulu 28 Mei 2009 |
| (Kenyan) | F O Okello | (Mkenya) |
| (Swiss) | A Poonawala | (Muswiss) |
| (Irish) | G M Wilkinson | (Mwa-Irish) |

| | | |
|---|---|---|
| Secretary | J C Kinyua | Katibu |
| Registered Office | Nation Centre<br>Kimathi Street<br>P O Box 49010 00100<br>Nairobi | Afisi ilikoandikishwa |
| Advocates | Kaplan & Stratton<br>George Williamson House<br>4th Ngong Avenue<br>Nairobi | Wakili |
| Auditors | PricewaterhouseCoopers<br>The Rahimtulla Tower<br>Upper Hill Road<br>Nairobi | Wakaguzi wa Hesabu |
| Bankers | Standard Chartered Bank of Kenya Ltd<br>Stanbank House<br>Moi Avenue<br>Nairobi | Benki |

# Board of Directors' Profile

1

2

7

8

9

3

4

5

6

10

11

12

13

1 **Mr Wilfred Kiboro (Chairman)** holds a Bachelor of Science (Civil Engineering) from the University of Nairobi. He 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 and elected Chairman of the Board on 24th September 2009. He serves on the Nominations Committee. Mr Kiboro is a director of East African Breweries Limited and Chairman of Standard Chartered Bank Kenya Limited and also Wilfay Investments Limited.

2 **Mr Linus Gitahi (Group Chief Executive Officer)** holds an MBA from USIU and a Bachelor of Commerce (Accounting) from the University of Nairobi. He is the Group Chief Executive Officer and joined 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 and Property Development and Management Limited, an associate company. Mr. Gitahi is a member of the Nominations, the Editorial and the Strategic Planning Committees.

3 **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 initially 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.

4 **Mr James Lee** holds an MBA from Harvard University and 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 Remuneration and Human Resources Committee and serves on the Finance and Audit and the Strategic Planning Committees.

5 **Mr. Stephen Gitagama (Group Finance Director)** holds an MBA and a Bachelor of Commerce (Accounting) from the University of Nairobi and is a Certified Public Accountant of Kenya. He is the Group Finance Director and was appointed to the Board in March 2008. He previously worked as a Finance Director with East African Breweries Limited. Mr. Gitagama is a director of the Group's subsidiary companies.

6 **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 of Monitor Publications Limited, Heritage Oil and Gas Company Limited, National Insurance Corporation and Hima Cement Limited all in Uganda. He serves on the Strategic Planning Committee.

7 **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 Executive Director incharge of Legal and Corporate Affairs at Industrial Promotion Services Group of Companies. He joined the board in December 1995. Mr. Okello 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.

8 **Dr Yasmin Jetha** holds a Master of Science in Management Science from Imperial College (London) and a Bachelor of Science in Mathematics from London University. She is a Fellow of the Chartered Institute of Management Accountants and was awarded an honorary Doctor of Laws degree by the University of Leicester (United Kingdom) in 2005. She is the Chief Information Officer at Bupa a leading international healthcare company and was previously the Chief Operating Officer at the Financial Times (United Kingdom). Dr Jetha serves on the Remuneration and Human Resources and the Strategic Planning Committees.

9 **Mr Anwar Poonawala** holds a Master of Science (Industrial Engineering) and an MBA from the United States of America. 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, the Nominations and the Remuneration and Human Resources Committees.

10 **Prof. Lee Huebner** is the 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 has 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.

11 **Mr Dennis Aluanga** holds an MBA from the University of Edinburgh (United Kingdom) and is a Certified Public Accountant of Kenya. He was previously the Group Finance Director and subsequently the Chief Operating Officer of NMG before taking up a similar position at Industrial Promotion Services Group of Companies. He is a director of Property Development and Management Limited, an associate company. Mr Aluanga chairs the Finance and Audit Committee and serves on the Editorial Committee.

12 **Mr Richard Dowden** holds a Bachelor of Arts (History) from London University (United Kingdom). He joined the board in March 2010. He began his career in 1971 as a volunteer teacher in Uganda for one year thereafter taking up a position with a peace keeping organization in Northern Ireland. He began his career in journalism as the Editor of the Catholic Herald in 1976 before joining The Times foreign desk in 1980 reporting from the Middle East and Africa and subsequently joined The Independent in 1986 as the African Editor, He joined the Economist in 1995 as Africa Director until 2001, when he resigned to become a freelance journalist and writer. He was appointed the director of the Royal African Society in 2002, which publishes "African Affairs", a leading academic journal on Africa and also organises conferences and seminars on Africa. Mr Dowden has produced several television documentaries on Africa which have been aired on BBC and Channel 4 in England and is the author of the book "Africa: Altered states, Ordinary Miracles" which was published in 2008. He serves on the Editorial Committee.

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

# Directors Report

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2009, 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 consolidated statement of comprehensive income on page 46.

## DIVIDENDS

The directors recommend the payment of a final dividend of Shs.4.00 per share (160%) on the issued share capital at 31 December 2009, which together with the interim dividend of Shs.1.50 per share (60%) paid on 30 September 2009, makes a total of Shs.5.50 per share (220%) in respect of the year ended 31 December 2009. The dividend will be paid, less withholding tax where applicable on or about 2nd July 2010 to shareholders registered at the close of business on 7th May 2010. The Register of Members will be closed from 10th to 14th May 2010, both dates inclusive.

## BONUS ISSUE

The directors recommend, subject to the approval of the shareholders, the Capital Markets Authority and the Nairobi Stock Exchange, a bonus issue at the rate of one fully paid up share for every ten shares held in the issued and paid up share capital of the Company as at 7th May 2010. Such new shares shall rank *pari passu* in all respects with the existing shares in the capital of the Company, except for the above mentioned final dividend. The proposed bonus issue will be implemented upon receipt of the necessary consents and approvals and the implementation will be preceded by an appropriate notification in the local press.

## ISSUE OF SHARES TO STAFF

The directors recommend, subject to the approval of the shareholders, the Capital Markets Authority and the Nairobi Stock Exchange to issue 200 shares each in the Company to each of the 1,235 permanent employees based in Kenya, Uganda and Tanzania. The shares to be issued to the staff shall not qualify for the final dividend or the bonus share issue to be approved at the Annual General Meeting.

## CROSS BORDER LISTING

The directors recommend subject to approval by the members and the relevant regulatory authorities to register and cross list the Company's shares in Uganda, Tanzania and Rwanda and seek the shareholders authority to do and effect all acts and things required to give effect to the recommendation.

## DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 35.

Dr Y Jetha was appointed to the Board on 24th September 2009 and Mr R Dowden was appointed to the Board on 16th March 2010 and both retire as directors in accordance with Article 96 of the Company's Articles of Association and being eligible, offer themselves for election.

Mr W D Kiboro and Mr S Gitagama, 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.

The directors recommend an amendment to Article 93 of the Company's Article of Association to allow for a maximum of fifteen directors.

## INVESTMENTS

Mwananchi Communications Limited acquired a new printing press which has been installed and commissioned and which has improved the print quality and enhanced the colour capacity of the company's publications in Tanzania.

The NTV and Qfm broadcasting signal reach in Kenya was expanded to cover the Nyanza region following the acquisition of local radio and television transmission frequencies from Kisii town.

## AUDITOR

The Company's auditor PricewaterhouseCoopers has expressed 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**

**16 March 2010**

# Taarifa Ya Wakurugenzi

Wakurugenzi wanafuraha kuwasilisha ripoti na taarifa za kifedha zilizokaguliwa kwa mwaka uliomalizikia Desemba 31 2009, ambazo zinaweka wazi hali halisi ya shughuli za Nation Media Group Limited (Kampuni) na mashirika dau yake (pamoja na Kampuni kuu).

## SHUGHULI MUHIMU

Shughuli kuu za Kampuni ni, uchapishaji, kupiga chapa na usambazaji wa magazeti na majarida na utangazaji wa redio na televisheni kwenye mataifa ya Afrika Mashariki ikiwepo Kenya, Uganda na Tanzania.

## MATOKEO YA KAMPUNI

Matokeo ya kampuni ya mwaka huo yameelezewa kwenye kitengo cha faida na hasara katika Ukurasa wa 46.

## MGAWO

Wakurugenzi wanapendekeza malipo ya mgawo wa mwisho wa Shilingi 4.00 kwa kila hisa (asilimia 160) ya mtaji wa hisa kufikia Desemba 31 2009, ambayo ni pamoja na mgawo wa muda wa Shilingi 1.50 kwa kila hisa (asilimia 60) iliyolipwa Septemba 30 2009, inafanya jumla ya Shilingi 5.50 kwa kila hisa (asilimia 220) kuambatana na mwaka uliomalizikia Desemba 31 2009. Mgawo utalipwa, baada ya kulipa kodi kwa jumla yanoyotakikana mnamo siku la Juli 2, 2010 kwa wenye hisa waliosajiliwa kama wamilikaji wa hisa za kampuni kufika mwisho wa siku ya Mei 7, 2010. Kitabu cha wenyehisa litafungwa kutoka Mei 10 hadi Mei 14, 2010 siku zote mbili.

## HISA BAKSHISHI

Kutegemea idhini ya Halmashauri ya Masoko ya Mitajo na Shirika la Hisa la Nairobi, wakurugenzi wanapendekeza hisa bakshishi kwa kiwango cha hisa moja iliyolipwa kamili kwa kila hisa kumi zinaohifadhiwa katika wenyehisa za kampuni mwisho ya siku, tarehe 7 Mei 2010. Hisa hizo mpya zitaorodheshwa sawa sawa na hisa zilizopo katika mtaji wa kampuni, isipokuwa kwa mgawo wa mwisho uliotajwa hapo juu. Pendekezo hili la hisa la bakshishi litatekelezwa mara tu baada ya kupokea vibali vinavyohitajika pamoja na idhini, na utekelezaji utatanguliwa kupitia matangazo ya magazeti ya kanda hii.

## HISA ZA WAFANYIKAZI

Wakurugenzi wanapendekeza, kutegemea idhini ya Halmashauri ya Masoko ya Mitajo na Shirika la Hisa la Nairobi, kuwapatia wafanyikazi 1,235 wote wa kampuni ambao wako Kenya, Uganda na Tanzania hisa mia mbili kwa kila mfanyikazi wa kampuni. Hizo hisa hazitahesabiwa kwa mgawo wa mwisho wala kwa hisa za bakshishi ambazo zitapitishwa kwa mkutano mkuu.

## MAUZO YA HISA ZA NMG KWENYE KANDA YA AFRIKA MASHARIKI

Wakurugenzi wanapendekeza, kutegemea idhini ya wenye hisa na halmashauri husika za usimamizi azma ya kuuza hisa zake katika masoko ya Uganda, Tanzania na Rwanda.

## WAKURUGENZI

Wakurugenzi waliohudumu mwaka uliopita hadi wakati huu wa kuchapishwa kwa taarifa hili ni kama walivyo katika orodha iliyochapishwa katika ukurasa wa 35.

Dkt Y. Jetha aliteuliwa kwenye kamati ya wakurugenzi tarehe Septemba 24 2009 na Bw R Dowden aliyeteuliwa kwenye kamatiya wakurugenzi tarehe Machi 16 2010 na wanastaafu kama wakurugenzi kulingana na kifungu 96 cha sheria za Ushirikiano za Kampuni na kwa kuwa wanastahili, wanajitolea kwa uchaguzi.

Bw W D Kiboro na Bw S Gitagama, wakurugenzi wanaostaafu kwa zamu kuambatana na Kifungu cha 110 sheria za Ushirikiano za Kampuni na, kwa kuwa wana fursa ya kuingia ulingoni tena, wanajiwasilisha kuchaguliwa tena.

Dkt M J Aliker, mkurugenzi ambaye anastaafu kulingana na Kifungu cha 101 cha sheria za Ushirikiano wa Kampuni na ambaye amepitisha umri wa miaka 70 atachaguliwa tena kama mkurugenzi wa kampuni kwa kipindi cha mwaka moja bila kuangalia kanuni za kifungu hicho.

Wakurugenzi wamependekeza kubadilisha kifungo cha 93 cha Sheria za Ushirikiano za Kampuni ili wakurugenzi wasi zidi watu kumi na tano.

## UWEKEZAJI

Katika mwaka huo, kampuni la Mwananchi Communications Limited ambalo liko Tanzania ilinunua mashine mpya ya kuchapisha magazeti ambayo imeweza kuchapisha magazeti safi na kuongeza hali ya rangi la magezi za kampuni.

Utangazaji wa redio wa Qfm na Ntv televisheni yaliongezeka kufikia sehemu za Nyanza baada ya kununua kampuni za redio na televisheni huko Kisii.

## WAKAGUZI WA MAHESABU YA KIFEDHA

Wakaguzi wa mahesabu ya kifedha wa kampuni, PricewaterhouseCoopers wameonyesha nia ya kuendelea na shughuli ya ukaguzi wa kifedha kulingana na kifungu cha 159(2) cha Sheria za Kampuni (Ibara ya 486) ya Sheria za Kenya.

Kwa amri ya Halmashauri

**J C Kinyua**
**Katibu wa Kampuni**

**Machi 16 2010.**

# Statement of Directors' Responsibilities

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 that have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the company and the group and of the group's profit. 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 maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

W D Kiboro

S Gitagama

16 March 2010



# Executive Team Profiles



**1 Mr. Linus Gitahi - Group CEO**

Holds an MBA from USIU and a Bachelor of Commerce (Accounting) from the University of Nairobi. He is the Group Chief Executive Officer and joined 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 and Property Development and Management Limited, an associate company. Mr. Gitahi is a member of the Nominations, the Editorial and the Strategic Planning Committees.

**2 Mr. Tom Mshindi - MD Nation Newpapers Division**

He is the Managing Director for the Nation Newspapers Division. He is a media and communications expert who has trained and worked as a journalist, a development communications specialist for the UN, and a senior media manager in Kenya and abroad. Mr. Mshindi has more than 20 years of experience working in the media.

**3 Joseph Odindo - Group Editorial Director**

A career journalist, Joseph Odindo was appointed Editorial Director in August last year. He holds a B.Ed. degree from University of Nairobi and a MA in journalism from the University of Wales, College of Cardiff. He is also an alumni of Harvard's GMP programme and a Press Fellow of Wolfson College, Cambridge. Odindo was the first editor of The EastAfrican at its launch in 1994 and later rose to managing Editor, Daily Nation, and Group Managing Editor. He has in the past worked with The Standard and Stellavision which used to publish The Weekly Review.

**4 Mr. Ian Fernandes - Managing Director Broadcast & Digital Division.**

Holds a Bsc. Electronic Engineering from the University of Nairobi. He joined NMG in 2005 and has more than 17 years experience in the media industry having previously served as Technical & Production Director at the Standard Newspaper Group and as the Managing Director of KTN. He spearheaded the re-launch of Nation Television as NTV and Nation Fm as EasyFm. He was instrumental in the design and conceptualization of NTV Uganda and the launching of e-Africa, the latest addition to NMG's television stable.

**5 Mr. Stephen Gitagama - Group Finance Director**

Holds an MBA and a Bachelor of Commerce (Accounting) from the University of Nairobi and is a Certified Public Accountant of Kenya. He is the Group Finance Director and was appointed to the Board in March 2008. He previously worked as a Finance Director with East African Breweries Limited. Mr. Gitagama is a director of the Group's subsidiary companies.

**6 Mr. James Kinyua - Group Company Secretary**

Holds a Bachelor of Laws (Hons.) from the University of Sheffield (United Kingdom) and a Bachelor of Arts (Political Science) from York University (Canada). He is an Advocate of the High Court of Kenya and is also a Certified Public Secretary of Kenya (CPS) and a member of the Institute of Directors (Kenya). He was appointed the Company Secretary in July 1998 and heads the Legal and Administration department. He is a director of the Group's subsidiary companies.

**7 Ms. Mwikali Muthiani - Group Human Resources Director**

Ms. Mwikali Muthiani joined NMG in April 2008 and is an accomplished HR professional with multi-sectoral experience gained from the private, NGO and Public sectors. She holds an MBA in International Business and a BA Hons Degree from the University of Nairobi. She also holds a post graduate diploma in Human Resources. She is a board member of AMREF and Faulu Kenya.

**8 Dr. Gitahi Githinji - MD Monitor Publications Limited**

Dr. Gitahi Githinji joined Nation Media Group in August 2007 as General Manager, Marketing and Circulation after spending more than 8 years in the medical and pharmaceutical industries. He holds a Bachelors degree in Medicine and Surgery from the University of Nairobi and a Masters in Business Administration from the United States International University majoring in Marketing. He has also attended various executive management courses on strategy at Strathmore University.

**9 Mr Sam Shollei - MD Mwananchi Communications Limited**

Sam Shollei has 20 years corporate leadership experience in diversified sectors including media, banking, energy and consultancy. He is the Managing Director of Mwananchi Communication Limited, the Tanzania NMG subsidiary and previously headed the Business Development function at NMG. He has also served as the General Manager at the NMG Uganda subsidiary, Monitor Publications Limited. Sam started his career as a consultant with PriceWaterhouseCoopers before joining the Petroleum industry as a senior Accountant. He holds a Master's Degree in Business Administration and BCom from the University of Nairobi and is a Certified Public Accountant – CPA (K).

**10 Mr Charles Onyango Obbo - Executive Editor, Africa Digital Media**

A Ugandan citizen, he has been Nation Media Group's Executive Editor for the Africa & Digital Media since March 2008. Previously, he was managing editor of The Monitor in Uganda. He is a Nieman Fellow from Harvard University and a holds a BA degree from Makerere University, Uganda, and a Master's degree in Journalism from the American University in Cairo, Egypt.

**11 Mr. Michael Ngugi - Group Advertising Director**

Michael, holds a BSc. degree from Jacksonville University, Florida, USA and has more than 15 years experience in sales and general management in telecommunications, FMCG, petroleum sectors. He has previously held senior positions within the advertising and circulation functions in the Group.

**12 Ms Ann Gitao Kinyua - Group Head of Marketing**

Ann Gitao - Kinyua joined NMG in May 2008 as Head of Marketing Nation Broadcast Division. In August 2009, she was promoted to the Group Head of Marketing function. Ann has more than 10 years executive experience in mining consumer insights, shaping strong brand positioning strategies and crafting successful communication strategies and has played a lead role in the development of communication strategies for a multitude of clients spanning several categories including: foods, banking, airlines, social marketing, media and alcoholic drinks. She holds a BCom Degree in Marketing and is currently studying for an MBA at Henley Business School – University of Reading, UK.

**13 Mr Japheth Mucheke - Group Financial Controller**

Mr Mucheke joined Nation Media Group in 1997 as an Auditor. He has since then worked as the Group Chief Accountant and Group Internal Audit Manager before being promoted to Group Financial Controller in June 2008. He previously worked for Deloitte & Touche. Japheth is a Certified Public Accountant, a Certified SAP Consultant and holds a BCom Degree from the University of Nairobi.

**14 Mr. David Maingi - Group Head of Corporate Affairs**

He holds an MA Mass Communication from University of Leicester, UK and a BA Hons in Fine Art from Kenyatta University. He joined the group in September 2009 from the Kenya Film Commission, where he was the Chief Executive Officer/ Managing Director. David has worked in senior communication management roles in both private and public sectors. He is a Board Member of Amana Capital Ltd.

**15 Mr Gabriel Chege - Group Head of IT**

Gabriel Chege is a holder of the Bachelor of Science in Management of Information Systems (MIS) and is currently pursing a Masters in Information Systems Management (ISM) from the University of London (United Kingdom). Other international certifications include MCSE, MCDBA, CCNA, MCT, and Siemon CI. Gabriel, previously worked for PricewaterhouseCoopers Ltd.

**16 Mr. George Rioba - Group Internal Audit Manager**

He joined NMG in October 2008 after working for several leading financial institutions. He holds a BA Degree in Mathematics and Economics from Egerton University and an MBA Finance from the University of Nairobi. He is a Certified Public Accountant (CPA, K) and a Certified Internal Auditor.


# Report of the Independent Auditor to the Members of Nation Media Group Limited

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Nation Media Group Limited (the company) and its subsidiaries (together, the group), as set out on pages 46 to 75. These financial statements comprise the consolidated balance sheet at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, together with the balance sheet of the company standing alone as at 31 December 2009 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 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 2009 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**
**Nairobi**

**16 March 2010**

# Consolidated statement of comprehensive income
for the year ended 31 December

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | Shs m | Shs m |
| Revenue | 5 | 8,189.8 | 8,251.5 |
| Cost of sales | | (2,050.9) | (1,652.3) |
| Gross profit | | 6,138.9 | 6,599.2 |
| Other income | 8(a) | 144.7 | 109.8 |
| Distribution costs | | (257.9) | (298.7) |
| Administrative expenses | | (854.6) | (747.0) |
| Other expenses | | (3,607.8) | (3,756.1) |
| Finance costs | 8(b) | (50.4) | (27.0) |
| Share of profit of associate | 18 | 104.5 | 30.1 |
| **Operating profit** | | **1,617.4** | **1,910.3** |
| Income tax expense | 9 | (498.2) | (614.4) |
| **Profit for the year** (of which Shs 1,000.4 million has been dealt within the accounts of the company) | | 1,119.2 | 1,295.9 |
| **Other comprehensive income:** | | | |
| Currency translation differences | | (0.7) | 10.8 |
| Share of other comprehensive income from associate | 18 | 1.2 | - |
| **Total comprehensive income for the year** | | 1,119.7 | 1,306.7 |
| **Attributable to:** | | | |
| Equity holders of the company | | 1,103.1 | 1,296.2 |
| Minority interest | | 16.6 | 10.5 |
| | | 1,119.7 | 1,306.7 |
| **Basic and diluted earnings per share (Shs)** | 10 | 7.7 | 9.1 |

# Consolidated Balance Sheet as at 31 December

| | Note | Group 2009 | Group 2008 | Company 2009 | Company 2008 |
|---|---|---|---|---|---|
| **CAPITAL EMPLOYED** | | Shs m | Shs m | Shs m | Shs m |
| **Capital and reserves attributable to equity holders** | | | | | |
| Share capital | 11 | 356.5 | 356.5 | 356.5 | 356.5 |
| Other reserves | 12 | 82.3 | 84.8 | 73.4 | 75.1 |
| Retained earnings | | 3,637.3 | 3,316.0 | 3,633.4 | 3,415.6 |
| Proposed dividends | 24 | 570.4 | 570.4 | 570.4 | 570.4 |
| | | 4,646.5 | 4,327.7 | 4,633.7 | 4,417.6 |
| Minority interest | | 67.2 | (13.1) | - | - |
| Total equity | | 4,713.7 | 4,314.6 | 4,633.7 | 4,417.6 |
| **Non-current liabilities** | | | | | |
| Long-term borrowings | 13 | 27.6 | 79.7 | - | - |
| Deferred income tax liabilities | 14 | 61.7 | 155.4 | 61.7 | 143.6 |
| | | 89.3 | 235.1 | 61.7 | 143.6 |
| **Total equity and non-current liabilities** | | **4,803.0** | **4,549.7** | **4,695.4** | **4,561.2** |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | 1,882.1 | 1,819.3 | 1,233.8 | 1,363.4 |
| Intangible assets | 16 | 347.4 | 319.7 | 154.3 | 126.2 |
| Prepaid operating lease rentals | 17 | 90.2 | 93.2 | 50.0 | 50.7 |
| Non Current receivables | | - | - | 254.5 | - |
| Investment in associates | 18 | 458.9 | 358.7 | 94.6 | 94.6 |
| Investment in subsidiaries | 19 | - | - | 812.7 | 812.7 |
| Deferred income tax assets | 14 | 28.2 | 103.9 | - | 67.6 |
| | | 2,806.8 | 2,694.8 | 2,599.9 | 2,515.2 |
| **Current assets** | | | | | |
| Inventories | 20 | 611.3 | 912.2 | 524.0 | 808.9 |
| Receivables and prepayments | 21 | 1,590.6 | 1,796.6 | 1,452.2 | 1,597.0 |
| Cash and cash equivalents | 22 | 1,473.5 | 1,306.3 | 1,378.0 | 1,216.1 |
| Currrent income tax | | 90.2 | 12.7 | 106.6 | 12.2 |
| | | 3,765.6 | 4,027.8 | 3,460.8 | 3,634.2 |
| **Current liabilities** | | | | | |
| Payables and accrued expenses | 23 | 1,712.6 | 2,105.6 | 1,365.3 | 1,588.2 |
| Borrowings | 13 | 55.1 | 58.1 | - | - |
| Currrent income tax | | 1.7 | 9.2 | - | - |
| | | 1,769.4 | 2,172.9 | 1,365.3 | 1,588.2 |
| **Net current assets** | | 1,996.2 | 1,854.9 | 2,095.5 | 2,046.0 |
| **Net assets less current liabilities** | | **4,803.0** | **4,549.7** | **4,695.4** | **4,561.2** |

The financial statements on pages 46 to 75 were approved for issue by the board of directors on 16 March 2010 and signed on its behalf by

W D Kiboro S Gitagama

# Consolidated Statement of Changes in Equity
for the year ended 31 December

| | Note | Share capital Shs m | Other reserves Shs m | Retained earnings Shs m | Proposed dividends Shs m | Minority interest Shs m | Total equity Shs m |
|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the company | | | | | |
| **Year ended 31 December 2008** | | | | | | | |
| At start of year | | 356.5 | 77.9 | 2,854.6 | 534.8 | (87.8) | 3,736.0 |
| Total Comprehensive income: | | | | | | | |
| Profit for the year | | - | - | 1,287.4 | - | 8.5 | 1,295.9 |
| **Other comprehensive income:** | | | | | | | |
| Revaluation gain | | - | (2.7) | 2.7 | - | - | - |
| Deferred tax on revaluation | | - | 0.8 | (0.8) | - | - | - |
| | | - | (1.9) | 1.9 | - | - | - |
| Currency translation differences | | - | 8.8 | - | - | 2.0 | 10.8 |
| **Total other comprehensive income** | | **-** | **6.9** | **1.9** | **-** | **2.0** | **10.8** |
| **Total comprehensive income for the year** | | **-** | **6.9** | **1,289.3** | **-** | **10.5** | **1,306.7** |
| **Transactions with owners:** | | | | | | | |
| Purchase of minority interest of subsidiary | | - | - | - | - | 26.3 | 26.3 |
| Dilution of minority interest of subsidiary | | - | - | (43.6) | - | 43.6 | - |
| **Dividends:** | | | | | | | |
| Paid by Monitor Publications Limited attributable to minority shareholders | | | | | | | |
| - Final for 2007 | | - | - | - | - | (2.3) | (2.3) |
| - Final proposed dividends for 2008 | | - | - | - | - | (3.4) | (3.4) |
| The Company: | | | | | | | |
| - Final for 2007 | 24 | - | - | - | (534.8) | - | (534.8) |
| - Interim for 2008 paid | 24 | - | - | (213.9) | - | - | (213.9) |
| - Proposed final for 2008 | 24 | - | - | (570.4) | 570.4 | - | - |
| **Total transaction with owners** | | **-** | **-** | **(827.9)** | **35.6** | **64.2** | **(728.1)** |
| **At end of year** | | **356.5** | **84.8** | **3,316.0** | **570.4** | **(13.1)** | **4,314.6** |

The notes on pages 52 to 75 are an integral part of these financial statements.



# Consolidated Statement of Changes in Equity
for the year ended 31 December (continued)

| | Note | Share capital Shs m | Other reserves Shs m | Retained earnings Shs m | Proposed dividends Shs m | Minority interest Shs m | Total equity Shs m |
|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the company | | | | | |
| **Year ended 31 December 2009** | | | | | | | |
| At start of year | | 356.5 | 84.8 | 3,316.0 | 570.4 | (13.1) | 4,314.6 |
| **Total Comprehensive income:** | | | | | | | |
| Profit/(loss) for the year | | - | - | 1,102.7 | - | 16.5 | 1,119.2 |
| **Other comprehensive income:** | | | | | | | |
| Transfer of excess depreciation | | - | (2.4) | 2.4 | - | - | - |
| Deferred tax on transfer | | - | 0.7 | (0.7) | - | - | - |
| | | - | (1.7) | 1.7 | - | - | - |
| Currency translation differences | | - | (0.8) | - | - | 0.1 | (0.7) |
| Share of other comprehensive income in associates | | - | - | 1.2 | - | - | 1.2 |
| | | - | (0.8) | 1.2 | - | 0.1 | 0.5 |
| **Total other comprehensive income** | | **-** | **(2.5)** | **2.9** | **-** | **0.1** | **0.5** |
| **Total comprehensive income for the year** | | **-** | **(2.5)** | **1,105.6** | **-** | **16.6** | **1,119.7** |
| **Transaction with owners:** | | | | | | | |
| Derecognition of minority interest in subsidiary | | - | - | - | - | 65.3 | 65.3 |
| **Dividends:** | | | | | | | |
| Proposed by Monitor Publications Limited attributable to minority shareholders | | - | - | - | - | (1.6) | (1.6) |
| The company: | | | | | | | |
| - Final for 2008 paid | 24 | - | - | - | (570.4) | - | (570.4) |
| - Interim for 2009 paid | 24 | - | - | (213.9) | - | - | (213.9) |
| - Proposed final for 2009 | 24 | - | - | (570.4) | 570.4 | - | - |
| **Total transaction with owners** | | **-** | **-** | **(784.3)** | **-** | **63.7** | **(720.6)** |
| **At end of year** | | **356.5** | **82.3** | **3,637.3** | **570.4** | **67.2** | **4,713.7** |

The notes on pages 52 to 75 are an integral part of these financial statements.

# Company Statement of Changes in Equity

for the year ended 31 December

| | Note | Share capital Shs m | Other reserves Shs m | Retained earnings Shs m | Proposed dividends Shs m | Total Shs m |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2008** | | | | | | |
| At start of year | | 356.5 | 77.0 | 2,896.2 | 534.8 | 3,864.5 |
| **Total Comprehensive income:** | | | | | | |
| Profit for the year | | - | - | 1,301.8 | - | 1,301.8 |
| **Other comprehensive income:** | | | | | | |
| Transfer of excess depreciation | | - | (2.7) | 2.7 | - | - |
| Deferred tax on transfer | | - | 0.8 | (0.8) | - | - |
| **Total other comprehensive income** | | **-** | **(1.9)** | **1.9** | **-** | **-** |
| **Total comprehensive income for the year** | | **-** | **(1.9)** | **1,303.7** | **-** | **1,301.8** |
| Transaction with owners: | | | | | | |
| Dividends: | | | | | | |
| - Final for 2007 paid | 24 | - | - | - | (534.8) | (534.8) |
| - Interim for 2008 paid | 24 | - | - | (213.9) | - | (213.9) |
| - Proposed final for 2008 | 24 | - | - | (570.4) | 570.4 | - |
| **Total transaction with owners** | | **-** | **-** | **(784.3)** | **35.6** | **(748.7)** |
| **At end of year** | | **356.5** | **75.1** | **3,415.6** | **570.4** | **4,417.6** |
| **Year ended 31 December 2009** | | | | | | |
| At start of year | | 356.5 | 75.1 | 3,415.6 | 570.4 | 4,417.6 |
| **Total comprehensive income:** | | | | | | |
| Profit for the year | | - | - | 1,000.4 | - | 1,000.4 |
| **Other comprehensive income:** | | | | | | |
| Transfer of excess depreciation | | - | (2.4) | 2.4 | - | - |
| Deferred tax on transfer | | - | 0.7 | (0.7) | - | - |
| **Total other comprehensive income:** | | - | (1.7) | 1.7 | - | - |
| **Total comprehensive income for the year:** | | **-** | **(1.7)** | **1,002.1** | **-** | **1,000.4** |
| **Transaction with owners:** | | | | | | |
| Dividends: | | | | | | |
| - Final for 2008 paid | 24 | - | - | - | (570.4) | (570.4) |
| - Interim for 2009 paid | 24 | - | - | (213.9) | - | (213.9) |
| - Proposed final for 2009 | 24 | - | - | (570.4) | 570.4 | - |
| **Total transaction with owners** | | **-** | **-** | **(784.3)** | **-** | **(784.3)** |
| **At end of year** | | **356.5** | **73.4** | **3,633.4** | **570.4** | **4,633.7** |

The notes on pages 52 to 75 are an integral part of these financial statements.



# Consolidated Cash Flow Statement

for the year ended 31 December

| | Note | 2009 Shs m | 2008 Shs m |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 26 | 2,087.5 | 1,450.7 |
| Interest received | 8 (a) | 76.6 | 109.8 |
| Interest paid | 8 (b) | (50.4) | (27.0) |
| Tax paid | | (594.3) | (624.0) |
| Net cash from operating activities | | 1,519.4 | 909.5 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 15 | (466.8) | (374.0) |
| Purchase of intangible assets | 16 | (68.4) | (94.3) |
| Proceeds from sale of property, plant and equipment | | 19.4 | 3.8 |
| Purchase of minority shareholders | | - | (138.8) |
| Dividends received from associate | 18 | 5.5 | 5.7 |
| Net cash used in investing activities | | (510.3) | (597.6) |
| **Financing activities** | | | |
| Repayment of borrowings | | (55.1) | (148.7) |
| Dividends paid | | (784.3) | (748.7) |
| Dividends paid to minority shareholders | | (3.4) | (2.3) |
| Net cash used in financing activities | | (842.8) | (899.7) |
| Net increase/(decrease) in cash and cash equivalents | | 166.3 | (587.8) |
| **Movement in cash and cash equivalents** | | | |
| At start of year | | 1,306.3 | 1,915.4 |
| Increase/ (decreases) | | 166.3 | (587.8) |
| Translation of net investment in foreign subsidiaries | | 0.9 | (21.3) |
| **At end of year** (Note 22) | | 1,473.5 | 1,306.3 |

The notes on pages 52 to 75 are an integral part of these financial statements.

# Notes to the financial statements Continued

## 1 GENERAL INFORMATION

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

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

### Changes in accounting policy and disclosures

**(i) New and amended standards adopted by the group**

IFRS 8, 'Operating segments' –effective 1January 2009. - IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. (In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker). The new standard did not require any change to the reporting segments.

IAS 1 (revised). 'Presentation of financial statements' – effective1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

**(ii) Standards effective in 2009 but not relevant**

In 2009, the following ammendments became effective for the first time but have not had an impact on the company's financial statements:

IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009): - It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the measurement basis adopted by the group.

**(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group**

Two new standards (IFRS 3 – Business combinations and IAS 27 – Consolidated and separate financial statements ) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Group's accounting periods beginning on or after 1 January 2010, but the Group has not early adopted any of them.
The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they will not have a significant impact on the Group's financial statements for the year ending 31 December 2010.



# Notes to the financial statements 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 profit or loss.

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

**(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 profit and loss statement, and its share of post-acquisition movements in reserves is recognised in consolidated statement of comprehensive income. 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. 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date. An assets carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

# Notes to the financial statements Continued

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are taken into account in determining the profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

## (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Executive Management team, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team that makes strategic decisions.

## (e) Revenue recognition

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

**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 using the effective interest method.

(iv) 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 less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the group or company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

## (h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straightlinebasis 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 or the asset is realised. 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 company 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



# Notes to the financial statements Continued

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

**(ii) Computer software**

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

**(iii) Transmission frequencies**

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

## (k) Employee benefits

**(i) Post employment 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 employeesthe 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 and staff gratuity 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, rounded to the nearest million, which is the company,s functional 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. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other (losses)/gains – net'.

**(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 and expenses are translated at the dates of the transactions); and
(c) all resulting exchange differences are recognised as a separate component of equity.

# Notes to the financial statements Continued

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in the consolidated statement of comprehensive income. 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.

### (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.

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

**(i) Critical accounting estimates and assumptions**

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

### Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j).



# Notes to the financial statements Continued

The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 16.

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

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

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

## 4 FINANCIAL RISK MANAGEMENT
The group's activities expose it to a variety of financial risks, including credit risk, the effects of changes in debt and equity market prices, foreign currency exchange rates, cash flow, fair value risk and interest rates risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects on its financial performance within the options available in East Africa to hedge against such risks.

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

### (a) Market risk
**(i) Foreign exchange risk**

The group 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.

At 31 December 2009 if the shilling had weakened/strengthened against the US dollar, with all other variables held constant, the consolidated post tax profit for the year and equity would not have changed materially from what has been reported.

**(ii) Price risk**

The group does not hold any investments subject to price risk.

**(iii) Cashflow and fair value interest rate risk**

The group has borrowings at variable rates. The group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2009, an increase/decrease of interest rates would not have resulted in any material increase/ decrease in consolidated post tax profits for the year and equity.

### (b) Credit risk
Credit risk arises from cash and 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 amount that best represents the group's and company's maximum exposure to credit risk at year end is made up as follows:

# Notes to the financial statements Continued

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | Shs m | Shs m | Shs m | Shs m |
| Cash and cash equivalents | 1,473.5 | 1,306.3 | 1,378.0 | 1,216.1 |
| Trade receivables | 1,033.0 | 1,156.6 | 673.4 | 803.8 |
| Due from related companies | - | - | 568.0 | 249.3 |
| Loans to directors (Note 28 (iii)) | 3.0 | 5.0 | 3.0 | 5.0 |
| Other receivables | 554.6 | 635.0 | 462.3 | 538.9 |
| | 3,064.1 | 3,102.9 | 3,084.7 | 2,813.1 |

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated. None of the above assets are past due or impaired except for the following amounts in trade receivables:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | Shs m | Shs m | Shs m | Shs m |
| Past due but not impaired | | | | |
| - by 31 to 60 days | 574.9 | 680.8 | 370.0 | 435.2 |
| - by 61 to 90 days | 458.1 | 475.8 | 303.4 | 368.6 |
| Total past due but not impaired | 1,033.0 | 1,156.6 | 673.4 | 803.8 |
| Impaired (Note 21) | 1,002.3 | 849.3 | 628.4 | 534.0 |

All receivables past due by more than 90 days are considered to be impaired, and are carried at their estimated recoverable value.

### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. The table below analyses the Group's and the Company's financial liabilities and financial assets into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

| | Less than 1 year Shs m | Between 1 and 2 years Shs m | Between 2 and 5 years Shs m | Total Shs m |
|---|---|---|---|---|
| **Group** | | | | |
| **At December 2009** | | | | |
| **Liabilities** | | | | |
| - borrowings | 55.1 | - | 27.6 | 82.7 |
| - trade and other payables | 1,712.6 | - | - | 1,712.6 |
| **Total financial liabilities** | **1,767.7** | **-** | **27.6** | **1,795.3** |



# Notes to the financial statements Continued

| | Less than 1 Year Shs m | Between 1 and 2 years Shs m | Between 2 and 5 years Shs m | Total Shs m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and bank balances | 1,473.5 | - | - | 1,473.5 |
| Amount due from Group Companies | - | - | - | - |
| Trade receivables and prepayments | 1,590.6 | - | - | 1,590.6 |
| **Total financial assets** | **3,064.1** | **-** | **-** | **3,064.1** |
| **At December 2008** | | | | |
| **Liabilities** | | | | |
| - borrowings | 58.1 | 45.5 | 34.2 | 137.8 |
| - trade and other payables | 2,105.6 | - | - | 2,105.6 |
| **Total financial liabilities** | **2,163.7** | **45.5** | **34.2** | **2,243.4** |
| **Assets** | | | | |
| Cash and bank balances | 1,306.3 | | | 1,306.3 |
| Amount due from Group Companies | - | | | - |
| Trade receivables and prepayments | 1,796.6 | | | 1,796.6 |
| **Total financial assets** | **3,102.9** | **-** | **-** | **3,102.9** |
| **Company** | | | | |
| **At December 2009** | | | | |
| **Liabilities** | | | | |
| - borrowings | - | - | - | - |
| - trade and other payables | 1,365.3 | - | - | 1,365.3 |
| **Total financial liabilities** | **1,365.3** | **-** | **-** | **1,365.3** |
| **Assets** | | | | |
| Cash and bank balances | 1,378.0 | - | | 1,378.0 |
| Amount due from Group Companies | 313.5 | - | 254.5 | 568.0 |
| Trade receivables and prepayments | 1,138.7 | - | - | 1,138.7 |
| **Total financial assets** | **2,830.2** | **-** | **254.5** | **3,084.7** |
| **At December 2008** | | | | |
| **Liabilities** | | | | |
| - borrowings | - | - | - | - |
| - trade and other payables | 1,588.2 | - | - | 1,588.2 |
| **Total financial liabilities** | **1,588.2** | **-** | **-** | **1,588.2** |
| **Assets** | | | | |
| Cash and bank balances | 1,216.1 | - | - | 1,216.1 |
| Amount due from Group Companies | 249.3 | - | - | 249.3 |
| Trade receivables and prepayments | 1,347.7 | - | - | 1,347.7 |
| **Total financial assets** | **2,813.1** | **-** | **-** | **2,813.1** |

# Notes to the financial statements Continued

### (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 belovw:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| Total borrowings | 82.7 | 137.8 | - | - |
| Less: cash and cash equivalents | (1,473.5) | (1,306.3) | (1,378.0) | (1,216.1) |
| Net debt | (1,390.8) | (1,168.5) | (1,378.0) | (1,216.1) |
| Total equity | 4,713.7 | 4,314.6 | 4,633.7 | 4,417.6 |
| Total capital | 3,322.9 | 3,146.1 | 3,255.7 | 3,201.5 |

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.



# Notes to the financial statements Continued

## 5 SEGMENTAL REPORTING

At 31 December 2009, the Group was organised within the region into two main operating segments:

i) Newspapers and magazines; and
ii) Broadcasting

Other group operations mainly comprise courier and third party printing services. Neither of these has ever met any of the quantitative thresholds for determining reportable segments and their figures have therefore been aggregated within the group's operating segments.

| | Newspapers & Magazines | | Broadcasting | | Group | |
|---|---|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| Sales | 7,255.8 | 7,318.7 | 934.0 | 932.8 | 8,189.8 | 8,251.5 |
| Allocated costs | (5,367.6) | (5,197.3) | (1,120.2) | (914.2) | (6,487.8) | (6,111.5) |
| Segment results | 1,888.2 | 2,121.4 | (186.2) | 18.6 | 1,702.0 | 2,140.0 |
| Unallocated costs | - | - | - | - | (283.4) | (342.6) |
| Operating profit | | | | | 1,418.6 | 1,797.4 |
| Net finance income | | | | | 26.2 | 82.8 |
| Share of profit of associates | | | | | 104.5 | 30.1 |
| Gain on disposal of subsidiary | | | | | 68.1 | - |
| Profit before income tax | | | | | 1,617.4 | 1,910.3 |
| Other comprehensive income | | | | | 0.5 | 10.8 |
| Income tax expense | | | | | (498.2) | (614.4) |
| Minority interest | | | | | (16.6) | (10.5) |
| Profit for the year attributable to equity holders of the company | | | | | 1,103.1 | 1,296.2 |

The revenue attributed to local sales was Shs.6,431.3 million while the revenues attributed to all foreign countries in total from which the entity derives revenues was Shs 1,758.5 million. The group does not derive revenues in excess of 10% of the total group's revenue from any individual customer.Other segments items included in the balance sheet are as follows:

| | Newspapers & Magazines | | Broadcasting | | Group | |
|---|---|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| Segment assets | 5,267.9 | 5,532.0 | 845.6 | 831.9 | 6,113.5 | 6,363.9 |
| Investment in associates | | | | | 458.9 | 358.7 |
| | | | | | **6,572.4** | **6,722.6** |
| Segment liabilities | 1,347.2 | 2,027.2 | 422.2 | 145.7 | 1,769.4 | 2,172.9 |
| Capital expenditure | 417.0 | 309.1 | 118.2 | 159.2 | 535.2 | 468.3 |

The non-current assets located in Kenya was Shs1,926.0 million while those located in all foreign countries in total in which the entity holds assets was Shs 880.8 million.

# Notes to the financial statements Continued

## 6 EXPENSES BY NATURE

**The following items have been charged/(credited) in arriving at profit before income tax**

| | Group 2009 Shs m | 2008 Shs m |
|---|---|---|
| Depreciation of property, plant and equipment (Note 15) | 360.1 | 353.7 |
| Repairs and maintenance expenditure on property, plant and equipment | 24.7 | 23.5 |
| Amortisation of intangible assets (Note 16) | 40.7 | 21.8 |
| Profit on disposal of property, plant and equipment | (2.0) | (0.9) |
| Operating lease rentals – office buildings | 100.5 | 86.5 |
| – amortization of leasehold land (Note 17) | 1.2 | 1.2 |
| Trade receivables – provision for impairment (Note 21) | 153.0 | 280.0 |
| Employee benefits expense (Note 7) | 2,241.8 | 2,222.7 |
| Inventories expensed | 1,882.7 | 1,553.9 |
| Provisions for inventories | 33.9 | 36.4 |
| Auditors' remuneration: Group | 11.3 | 10.8 |
| : Company | 7.0 | 6.5 |

## 7 EMPLOYEE BENEFITS EXPENSE

**The following items are included within employee benefits expense:**

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Salaries and wages | 2,125.7 | 2,111.7 |
| National Social Security Fund | 49.4 | 45.2 |
| Leave pay accrued | 2.1 | 4.4 |
| Retirement benefits costs – defined contribution scheme | 64.6 | 61.4 |
| | **2,241.8** | **2,222.7** |

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

| | 2009 Number | 2008 Number |
|---|---|---|
| Full time | 1,238 | 1,220 |
| Part tme | 224 | 283 |
| | 1,462 | 1,503 |

## 8 (a) OTHER INCOME

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Interest income | 76.6 | 109.8 |
| Gain on disposal of subsidiary | 68.1 | - |
| | 144.7 | 109.8 |

## 8 (b) FINANCE COST

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Interest expense | (50.4) | (27.0) |
| | 94.3 | 82.8 |

## 9 INCOME TAX EXPENSE

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Current income tax | 516.2 | 625.6 |
| Deferred income tax credit (Note 14) | (18.0) | (11.2) |
| | 498.2 | 614.4 |



# Notes to the financial statements Continued

## 9 INCOME TAX EXPENSE (CONTINUED)

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

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Profit before income tax | 1,617.4 | 1,910.3 |
| Tax calculated at the statutory income tax rates of 30% (2008: 30%) | 485.2 | 573.1 |
| Tax effect of: | | |
| Income not subject to tax | (23.7) | (3.7) |
| Expenses not deductible for tax purposes | 20.6 | 12.5 |
| Under/(over) provision of current income tax in prior year | 16.1 | - |
| Overprovision of deferred income tax in pror year | - | (2.4) |
| Deferred income tax asset not recognized | - | 34.9 |
| Income tax expense | 498.2 | 614.4 |

Further information about deferred income tax is presented in Note 14.

## 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 outstanding during the year.

| | 2009 | 2008 |
|---|---|---|
| Net profit attributable to shareholders (Shs million) | 1,103.1 | 1,296.2 |
| Weighted average number of ordinary shares in issue (million) | 142.6 | 142.6 |
| Basic earnings per share (Shs) | 7.7 | 9.1 |

There were no potentially dilutive ordinary shares outstanding as at 31 December 2009. Diluted earnings per share is therefore the same as basic earnings per share.

## 11 SHARE CAPITAL

| | Number of shares (million) 2009 | Number of shares (million) 2008 | Ordinary shares Shs m 2009 | Ordinary shares Shs m 2008 |
|---|---|---|---|---|
| Authorised | 240 | 240 | 600 | 600 |
| Issued and fully paid | | | | |
| As at 1 January | 142.6 | 142.6 | 356.5 | 356.5 |
| As at 31 December 2009 | 142.6 | 142.6 | 356.5 | 356.5 |

All issued shares are fully paid.

# Notes to the financial statements Continued

## 12 OTHER RESERVES

The movement in other reserves is as follows:

| | Revaluation reserve Shs m | Currency translation reserve Shs m | Total Shs m |
|---|---|---|---|
| **Group** | | | |
| As at 1 January 2008 | 77.0 | 0.9 | 77.9 |
| Currency translation differences | - | 8.8 | 8.8 |
| Transfer of excess depreciation | (2.7) | - | (2.7) |
| Deferred income tax on transfer | 0.8 | - | 0.8 |
| Balance as at 31 December 2008 | 75.1 | 9.7 | 84.8 |
| As at 1 January 2009 | 75.1 | 9.7 | 84.8 |
| Currency translation differences | - | (0.8) | (0.8) |
| Transfer of excess depreciation | (2.4) | - | (2.4) |
| Deferred income tax on transfer | 0.7 | - | 0.7 |
| Balance as at 31 December 2009 | 73.4 | 8.9 | 82.3 |

**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 2009 Shs m | 2008 Shs m |
|---|---|---|
| **Current** | | |
| Bank borrowings | 36.8 | 45.6 |
| Bank overdraft | 18.3 | 12.5 |
| | 55.1 | 58.1 |
| **Non current** | | |
| Bank borrowings | 27.6 | 79.7 |
| **Total borrowings** | 82.7 | 137.8 |

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:

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Bank borrowings | 15.09% | 8.90% |

In the opinion of the directors, the carrying amounts of short-term borrowings approximate to their fair value. Fair values are based on discounted cash flows 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.

Maturity of non-current borrowings.

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Between 1 and 2 years | 55.1 | 103.6 |
| Between 2 and 5 years | 27.6 | 34.2 |



# Notes to the financial statements Continued

## 14 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2008: 30%). The movement on the deferred income tax account is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| At start of year | 51.5 | 62.7 | 76.0 | 79.9 |
| (Credit)/charge to the profit and loss account (Note 9) | (18.0) | (11.2) | (14.3) | (3.9) |
| At end of year | 33.5 | 51.5 | 61.7 | 76.0 |

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| Deferred income tax liabilities | 61.7 | 155.4 | 61.7 | 143.6 |
| Deferred income tax assets | (28.2) | (103.9) | - | (67.6) |
| | 33.5 | 51.5 | 61.7 | 76.0 |

| | 1.1.09 Shs m | Charged/(credited) to P&L | 31.12.09 Shs m |
|---|---|---|---|
| **Group-Year ended 31 December 2009** | | | |
| **Deferred income tax liabilities** | | | |
| Property, plant and equipment | 155.4 | (13.4) | 142.0 |
| Unrealized exchange gains | - | 7.2 | 7.2 |
| | 155.4 | (6.2) | 149.2 |
| **Deferred income tax assets** | | | |
| Provisions | (103.9) | 0.9 | (103.0) |
| Unrealized exchange gains | - | (12.7) | (12.7) |
| | (103.9) | (11.8) | (115.7) |
| **Net deferred income tax liability** | 51.5 | (18.0) | 33.5 |

| | 1.1.08 Shs m | Charged/(credited) to P&L | 31.12.08 Shs m |
|---|---|---|---|
| **Group-Year ended 31 December 2008** | | | |
| **Deferred income tax liabilities** | | | |
| Property, plant and equipment | 178.0 | (22.6) | 155.4 |
| **Deferred income tax assets** | | | |
| Provisions | (115.3) | 11.4 | (103.9) |

# Notes to the financial statements Continued

## 14 DEFERRED INCOME TAX (CONTINUED)

| | 1.1.08 Shs m | Charged/(credited) to P&L Shs m | 31.12.08 Shs m |
|---|---|---|---|
| Net deferred income tax liability/(asset) | 62.7 | (11.2) | 51.5 |
| **Net deferred income tax liability** | 62.7 | (11.2) | 51.5 |

| **Company-Year ended 31 December 2009** <br> **Deferred income tax liabilities** | 1.1.09 Shs m | Charged/(credited) to P&L Shs m | 31.12.09 Shs m |
|---|---|---|---|
| Property, plant and equipment | 143.6 | (22.9) | 120.7 |
| Unrealized exchange gains | - | 6.8 | 6.8 |
| | 143.6 | (16.1) | 127.5 |
| **Deferred income tax assets** | | | |
| Provisions | (67.6) | 14.3 | (53.3) |
| Unrealized exchange gains | - | (12.5) | (12.5) |
| | (67.6) | 1.8 | (65.8) |
| **Net deferred income tax liability** | 76.0 | (14.3) | 61.7 |

| **Company-Year ended 31 December 2008** <br> **Deferred income tax liabilities** | 1.1.08 Shs m | Charged/(credited) to P&L Shs m | 31.12.08 Shs m |
|---|---|---|---|
| Property, plant and equipment | 159.4 | (15.8) | 143.6 |
| **Deferred income tax assets** | | | |
| Provisions | (79.5) | 11.9 | (67.6) |
| **Net deferred income tax liability** | 79.9 | (3.9) | 76.0 |



# Notes to the financial statements Continued

## 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 2008** | | | | |
| 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 |
| **Year ended 31 December 2008** | | | | |
| Opening net book amount | 6.4 | 379.2 | 1,386.9 | 1,772.5 |
| Additions | - | - | 374.0 | 374.0 |
| Disposals | - | - | (2.9) | (2.9) |
| Depreciation charge | - | (9.9) | (343.8) | (353.7) |
| Currency translation differences | - | 9.8 | 19.6 | 29.4 |
| Closing net book value | 6.4 | 379.1 | 1,433.8 | 1,819.3 |
| **As at 31 December 2008** | | | | |
| Cost or valuation | 6.4 | 405.6 | 3,961.6 | 4,373.6 |
| Accumulated depreciation | - | (26.5) | (2,527.8) | (2,554.3) |
| Net book value | 6.4 | 379.1 | 1,433.8 | 1,819.3 |
| **Year ended 31 December 2009** | | | | |
| Opening net book amount | 6.4 | 379.1 | 1,433.8 | 1,819.3 |
| Additions | 0.6 | 0.8 | 465.4 | 466.8 |
| Disposals | - | - | (39.0) | (39.0) |
| Depreciation charge | - | (9.8) | (350.3) | (360.1) |
| Currency translation differences | - | (2.5) | (2.4) | (4.9) |
| Closing net book value | 7.0 | 367.6 | 1,507.5 | 1,882.1 |
| **As at 31 December 2009** | | | | |
| Cost or valuation | 7.0 | 403.5 | 4,383.1 | 4,793.6 |
| Accumulated depreciation | - | (35.9) | (2,875.6) | (2,911.5) |
| Net book value | 7.0 | 367.6 | 1,507.5 | 1,882.1 |

# Notes to the financial statements Continued

## 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 2008** | | | | |
| 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 |
| **Year ended 31 December 2008** | | | | |
| Opening net book amount | 6.4 | 258.6 | 1,114.2 | 1,379.2 |
| Additions | - | - | 258.0 | 258.0 |
| Disposals | - | - | (1.3) | (1.3) |
| Depreciation charge | - | (6.7) | (265.8) | (272.5) |
| Closing net book value | 6.4 | 251.9 | 1,105.1 | 1,363.4 |
| **As at 31 December 2008** | | | | |
| Cost or valuation | 6.4 | 261.0 | 3,318.7 | 3,586.1 |
| Accumulated depreciation | - | (9.1) | (2,213.6) | (2,222.7) |
| Net book value | 6.4 | 251.9 | 1,105.1 | 1,363.4 |
| **Year ended 31 December 2009** | | | | |
| Opening net book amount | 6.4 | 251.9 | 1,105.1 | 1,363.4 |
| Additions | 0.6 | 0.8 | 157.9 | 159.3 |
| Disposals | - | - | (12.6) | (12.6) |
| Depreciation charge | - | (6.7) | (269.6) | (276.3) |
| Closing net book value | 7.0 | 246.0 | 980.8 | 1,233.8 |
| **As at 31 December 2009** | | | | |
| Cost or valuation | 7.0 | 261.8 | 3,413.9 | 3,682.7 |
| Accumulated depreciation | - | (15.8) | (2,433.1) | (2,448.9) |
| Net book value | 7.0 | 246.0 | 980.8 | 1,233.8 |



# Notes to the financial statements Continued

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The group's buildings were revalued as 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.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| Cost | 314.7 | 314.7 | 166.2 | 166.2 |
| Accumulated depreciation | (54.4) | (44.6) | (48.3) | (41.6) |
| Net book amount | 260.3 | 270.1 | 117.9 | 124.6 |

## 16 INTANGIBLE ASSETS

| Group | Goodwill Shs m | Computer software Shs m | Transmission frequencies Shs m | Total Shs m |
|---|---|---|---|---|
| As at 1 January 2008 | | | | |
| Cost | 23.0 | 156.6 | - | 179.6 |
| Accumulated amortization | - | (92.7) | - | (92.7) |
| Net book value | 23.0 | 63.9 | - | 86.9 |
| **Year ended 31 December 2008** | | | | |
| Opening net book value | 23.0 | 63.9 | - | 86.9 |
| Additions | 164.9 | 94.3 | - | 259.2 |
| Amortisation | - | (21.8) | - | (21.8) |
| Disposals | - | (4.9) | - | (4.9) |
| Currency translation differences | - | 0.3 | - | 0.3 |
| Closing net book value | 187.9 | 131.8 | - | 319.7 |
| **As at 31 December 2008** | | | | |
| Cost | 187.9 | 246.4 | - | 434.3 |
| Accumulated depreciation | - | (114.6) | - | (114.6) |
| Net book value | 187.9 | 131.8 | - | 319.7 |
| **Year ended 31 December 2009** | | | | |
| Opening net book value | 187.9 | 131.8 | - | 319.7 |
| Additions | - | 41.2 | 27.2 | 68.4 |
| Amortisation | - | (40.7) | - | (40.7) |
| Closing net book value | 187.9 | 132.3 | 27.2 | 347.4 |

# Notes to the financial statements Continued

## 16 INTANGIBLE ASSETS (CONTINUED)

| Group | Goodwill Shs m | Computer software Shs m | Transmission frequencies Shs m | Total Shs m |
|---|---|---|---|---|
| As at 31 December 2009 | | | | |
| Cost | 187.9 | 287.6 | 27.2 | 502.7 |
| Accumulated amortization | - | (155.3) | - | (155.3) |
| Net book value | 187.9 | 132.3 | 27.2 | 347.4 |

**Impairment tests for goodwill**

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to the operating segment.

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

| | Operating segment | 2009 Shs m | 2008 Shs m |
|---|---|---|---|
| Mwananchi Communications Limited | Newspapers | 128.9 | 128.9 |
| Monitor Publications Limited | Newspapers | 23.0 | 23.0 |
| East Africa Televisions Network | Broadcasting | 15.5 | 15.5 |
| Radio Uhuru Limited | Broadcasting | 20.5 | 20.5 |
| | | 187.9 | 187.9 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

| Company | Computer software Shs m |
|---|---|
| **As at 1 January 2008** | |
| Cost | 150.3 |
| Accumulated amortization | (90.8) |
| Net book value | 59.5 |
| **Year ended 31 December 2008** | |
| Opening net book value | 59.5 |
| Additions | 91.1 |
| Amortisation | (19.5) |
| Disposal | (4.9) |
| Closing net book value | 126.2 |
| **As at 31 December 2008** | |
| Cost | 236.5 |
| Accumulated amortization | (110.3) |
| Net book value | 126.2 |



# Notes to the financial statements Continued

## 16 INTANGIBLE ASSETS (CONTINUED)

| | Computer software Shs m | Transmission frequencies Shs m | Total Shs m |
|---|---|---|---|
| **As at 1 January 2009** | | | |
| Cost | 236.5 | - | 236.5 |
| Accumulated amortization | (110.3) | - | (110.3) |
| Net book value | 126.2 | - | 126.2 |
| **Year ended 31 December 2009** | | | |
| Opening net book value | 126.2 | - | 126.2 |
| Additions | 39.6 | 27.2 | 66.8 |
| Amortisation | (38.7) | - | (38.7) |
| Disposal | - | - | - |
| Closing net book value | 127.1 | 27.2 | 154.3 |
| **As at 31 December 2009** | | | |
| Cost | 276.1 | 27.2 | 303.3 |
| Accumulated amortization | (149.0) | - | (149.0) |
| Net book value | 127.1 | 27.2 | 154.3 |

## 17 PREPAID OPERATING LEASE RENTALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| At start of year | 93.2 | 90.5 | 50.7 | 51.4 |
| Amortisation for the year | (1.2) | (1.2) | (0.7) | (0.7) |
| Currency translation differences | (1.8) | 3.9 | - | - |
| At end of year | 90.2 | 93.2 | 50.0 | 50.7 |

## 18 INVESTMENT IN ASSOCIATE

| | Group | |
|---|---|---|
| | 2009 Shs m | 2008 Shs m |
| At start of year | 358.7 | 334.3 |
| Share of profit before income tax | 146.8 | 41.1 |
| Share of income tax expense | (42.3) | (11.0) |
| | 104.5 | 30.1 |
| Other comprehensive income | 1.2 | - |
| Dividends received | (5.5) | (5.7) |
| At end of year | 458.9 | 358.7 |

# Notes to the financial statements Continued

## 18 INVESTMENT IN ASSOCIATE (CONTINUED)

The 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 principle associate which is unlisted, was as follows:-

| | % interest held | Assets Shs m | Liabilities Shs m | Revenues Shs m | Profit Shs m | Total comprehensive income Shs m |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| Property Development and Management Limited | 20% | 2,745.6 | 250.3 | 222.1 | 498.6 | 538.6 |
| **2009** | | | | | | |
| Property Development and Management Limited | 20% | 2,852.8 | 244.5 | 243.3 | 174.2 | 140.4 |

There were no changes in the interest held in the associate during the year. The investment in associate that is carried in the company balance sheet of Shs. 94.6 million relates to Property Development and Management Limited.

## 19 INVESTMENT IN SUBSIDIARIES

**(a) 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 % | 2009 Shs m | 2008 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 | 100.0 | 314.8 | 314.8 |
| Nation Holdings Tanzania Limited | Tanzania | 100.0 | 150.4 | 150.4 |
| Africa Broadcasting Uganda Limited | Uganda | 100.0 | 347.7 | 347.7 |
| East African Magazines Limited | Kenya | 51.0 | - | - |
| | | | 832.5 | 832.5 |
| **Non Trading subsidiaries:** | | | | |
| 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 | - | - |
| Radio Uhuru Limited | Tanzania | 100.0 | 20.5 | 20.5 |
| | | | 857.5 | 857.5 |
| Provision for impairment | | | (44.8) | (44.8) |
| | | | 812.7 | 812.7 |

(b) The group sold 51% of its shareholding in East African Magazines Limited (EAM) on 1st January 2009 to the minority shareholders, Media 24 Limited at Shs.51,000. The group had 510 shares with par value of Shs 100 each at that date. EAM had a net liability of Shs 133.4 million at that date of disposal of which Shs 68.1 million was attributable to the group and Shs 65.3 million to Media 24 Ltd.



# Notes to the financial statements Continued

## 20 INVENTORIES

| | Group 2009 Shs m | Group 2008 Shs m | Company 2009 Shs m | Company 2008 Shs m |
|---|---|---|---|---|
| Raw materials at net realizable value | 457.8 | 781.3 | 382.4 | 705.7 |
| Engineering spares at cost | 137.9 | 93.5 | 128.4 | 84.3 |
| Other stock at net realizable value | 15.6 | 37.4 | 13.2 | 18.9 |
| At end of year | 611.3 | 912.2 | 524.0 | 808.9 |

## 21 RECEIVABLES AND PREPAYMENTS

| | Group 2009 Shs m | Group 2008 Shs m | Company 2009 Shs m | Company 2008 Shs m |
|---|---|---|---|---|
| Trade receivables | 2,035.3 | 2,005.9 | 1,301.8 | 1,337.8 |
| Less: provision for impairment | (1,002.3) | (849.3) | (628.4) | (534.0) |
| | 1,033.0 | 1,156.6 | 673.4 | 803.8 |
| Amounts due from related parties (Note 28) | - | - | 313.5 | 249.3 |
| Other receivables and prepayments | 557.6 | 640.0 | 465.3 | 543.9 |
| | 1,590.6 | 1,796.6 | 1,452.2 | 1,597.0 |

Movement in the provision for impairment of trade receivables are as follows:

| | Group 2009 Shs m | Group 2008 Shs m | Company 2009 Shs m | Company 2008 Shs m |
|---|---|---|---|---|
| At start of year | 849.3 | 569.3 | 534.0 | 341.6 |
| Provision in the year | 153.0 | 280.0 | 94.4 | 192.4 |
| At end of year | 1,002.3 | 849.3 | 628.4 | 534.0 |

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

## 22 CASH AND CASH EQUIVALENTS

For the purposes of cash flow 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 2009 Shs m | Group 2008 Shs m | Company 2009 Shs m | Company 2008 Shs m |
|---|---|---|---|---|
| Cash and bank balances | 746.7 | 595.5 | 651.2 | 505.3 |
| Short term bank deposits | 726.8 | 710.8 | 726.8 | 710.8 |
| | 1,473.5 | 1,306.3 | 1,378.0 | 1,216.1 |

The weighted average effective interest rate on short term bank deposits at the year-end was 7.8% (2008:8.7%).

# Notes to the financial statements Continued

## 23 PAYABLES AND ACCRUED EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 Shs m | 2008 Shs m | 2009 Shs m | 2008 Shs m |
| Trade payables | 435.3 | 395.0 | 274.0 | 250.4 |
| Amounts due to related parties (Note 28) | - | - | 66.4 | 41.0 |
| Accrued expenses | 1,017.3 | 1,118.6 | 865.0 | 957.6 |
| Other payables | 260.0 | 592.0 | 159.9 | 339.2 |
| | 1,712.6 | 2,105.6 | 1,365.3 | 1,588.2 |

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

## 24 DIVIDENDS

At the annual general meeting to be held on 19 May 2010, a final dividend in respect of the year ended 31 December 2009 of Shs.4.00 per share amounting to Shs.570.4 million will be proposed. During the year, an interim dividend of Shs.1.50 per share, amounting to Shs.213.9 million was paid (2008: Shs. 213.9 million). The total dividend for the year is, therefore, Shs.5.50 per share (2008: Shs.5.50), amounting to Shs.784.3 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:

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Contracted for but not provided for | 11.3 | 9.1 |

Operating leases

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

| | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Not later than 1 year | 100.5 | 86.5 |
| Later than 1 year and not later than 5 years | 437.1 | 379.9 |
| | 537.6 | 466.4 |

## 26 CASH GENERATED FROM OPERATIONS

**Reconciliation of profit before income tax to cash generated from operations**

| | 2009 | 2008 |
|---|---|---|
| Profit before income tax | 1,617.4 | 1,910.3 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (Note 15) | 360.1 | 353.7 |
| Amortisation of intangible assets (Note 16) | 40.7 | 21.8 |
| Amortisation of prepaid operating lease rentals (Note 17) | 1.2 | 1.2 |
| Profit on sale of property, plant and equipment | (2.0) | (0.9) |
| Impairment of fixed assets | 21.6 | - |
| Write-off of net current liabilities in EAM | 133.4 | - |
| Gain on disposal of subsidiary (Note 8 (a)) | (68.1) | - |
| Interest income (Note 8 (a)) | (76.6) | (109.8) |
| Interest expense (Note 8 (b) ) | 50.4 | 27.0 |
| Share of result before tax of associate (Note 18) | (104.5) | (30.1) |
| Changes in working capital: | | |
| - inventories | 300.9 | (521.1) |
| - receivables and prepayments | 206.0 | (496.2) |
| - payables and accrued expenses | (393.0) | 294.8 |
| Cash generated from operations | 2,087.5 | 1,450.7 |



# Notes to the financial statements Continued

## 27 CONTINGENT LIABILITIES

The directors have after taking appropriate legal advice, made provisions for 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.

The following transactions were carried out with related parties:

| (i) Sale of goods and services | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Monitor Publications Limited | 49.8 | 26.6 |

(ii) Outstanding balances from transactions with related parties

| **Amount due from related parties** | Company | |
|---|---|---|
| | 2009 Shs m | 2008 Shs m |
| East African Magazines Limited | - | 42.5 |
| Monitor Publications Limited | 50.4 | 18.5 |
| East African Television Network | - | 33.0 |
| Mwananchi Communications Limited | 421.5 | 100.8 |
| Nation Infotech Limited | 0.9 | 0.9 |
| Africa Broadcasting Uganda Limited | 95.2 | 53.6 |
| | 568.0 | 249.3 |

| **Amounts due to related parties** | 2009 Shs m | 2008 Shs m |
|---|---|---|
| Nation Marketing and Publishing Limited | 58.8 | 34.9 |
| Nation Holdings Tanzania Limited | 7.6 | 6.1 |
| | 66.4 | 41.0 |

| (iii) Loans to executive directors | Group | |
|---|---|---|
| | 2009 Shs m | 2008 Shs m |
| At start of year | 5.0 | 8.0 |
| Loans advanced during the year | 1.4 | 0.8 |
| Loans repaid during the year | (3.4) | (3.8) |
| At end of year | 3.0 | 5.0 |

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

(iv) Directors' remuneration

| | Group and company | |
|---|---|---|
| | 2009 Shs m | 2008 Shs m |
| Fees for services as director | 17.2 | 19.2 |
| Other emoluments | 42.1 | 51.0 |
| | 59.3 | 70.2 |

# Five Year Financial Summary

| | 2009 Shs m | 2008 Shs m | 2007 Shs m | 2006 Shs m | 2005 Shs m |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Turnover | 8,189.8 | 8,251.5 | 7,685.6 | 6,339.2 | 5,597.1 |
| Profit before tax | 1,617.4 | 1,910.3 | 1,601.6 | 1,150.8 | 1,010.6 |
| Profit attributable to shareholders | 1,103.1 | 1,296.2 | 1,089.6 | 783.2 | 716.2 |
| **Net assets** | | | | | |
| Non-current assets | 2,806.8 | 2,694.8 | 2,284.2 | 2,087.2 | 2,051.0 |
| Net current assets | 1,996.2 | 1,854.9 | 1,719.0 | 1,768.4 | 1,216.8 |
| Non-current liabilities | (89.3) | (235.1) | (267.2) | (358.9) | (37.1) |
| Minority interests | (67.2) | 13.1 | 87.8 | 91.2 | 59.1 |
| Shareholders' funds | 4,646.5 | 4,327.7 | 3,823.8 | 3,587.9 | 3,289.8 |
| **Profit before tax** | | | | | |
| as a percentage of turnover(%) | 19.75 | 23.15 | 20.84 | 18.15 | 18.06 |
| Earnings per share (Shs)* | 7.74 | 9.09 | 7.64 | 5.49 | 5.02 |
| Dividends per share (Shs)* | 5.50 | 5.50 | 5.25 | 3.50 | 3.00 |
| Dividend cover (times)* | 1.41 | 1.65 | 1.46 | 1.57 | 1.67 |

***Adjusted for bonus issues and special dividend**

# Taarifa Fupi ya Kifedha ya Miaka Mitano

| | 2009 Shs m | 2008 Shs m | 2007 Shs m | 2006 Shs m | 2005 Shs m |
|---|---|---|---|---|---|
| **Matokeo** | | | | | |
| Jumla ya mapato | 8,189.8 | 8,251.5 | 7,685.6 | 6,339.2 | 5,597.1 |
| Faida kabla ya kodi | 1,617.4 | 1,910.3 | 1,601.6 | 1,150.8 | 1,010.6 |
| Faida kwa wenyehisa | 1,103.1 | 1,296.2 | 1,089.6 | 783.2 | 716.2 |
| **Mali halisi** | | | | | |
| Mali thabiti | 2,806.8 | 2694.8 | 2,284.2 | 2,087.2 | 2,051.0 |
| Mali halisi za sasa | 1,996.2 | 1,854.9 | 1,719.0 | 1,768.4 | 1,216.8 |
| Madeni ya muda mrefu | (89.3) | (235.1) | (267.2) | (358.9) | (37.1) |
| Wenyehisa wachache | (67.2) | 13.1 | 87.8 | 91.2 | 59.1 |
| Malipo ya wenyehisa | 4,646.5 | 4,327.7 | 3,823.8 | 3,587.9 | 3,289.8 |
| **Faida kabla ya kodi** | | | | | |
| Kama asilimia ya mapato | 19.75 | 23.15 | 20.84 | 18.15 | 18.06 |
| Mapato kwa kila hisa (Shilingi)* | 7.74 | 9.09 | 7.64 | 5.49 | 5.02 |
| Migawo kwa kila hisa (Shilingi)* | 5.50 | 5.50 | 5.25 | 3.50 | 3.00 |
| Malipo ya hisa (mara)* | 1.41 | 1.65 | 1.46 | 1.57 | 1.67 |

***Badiliko kuhusu hisa za bonsai na mgawo maalum**



# Principal Shareholders of the Company and their respective Shareholding at 31 December 2009

| No. | Name of Shareholder | No. of shares held | % |
|---|---|---|---|
| 1 | The Aga Khan Fund for Economic Development (AKFED) | 63,786,624 | 44.73 |
| 2 | Mr. Amin Nanji Juma | 11,646,728 | 8.17 |
| 3 | National Social Security Fund | 6,025,370 | 4.23 |
| 4 | Nima Investment Limited | 2,613,432 | 1.83 |
| 5 | John Kibunga Kimani | 1,302,438 | 0.91 |
| 6 | Kenya Commercial Bank Nominees Limited A/c 769G | 1,147,894 | 0.80 |
| 7 | Old Mutual Insurance Company Limited | 935,652 | 0.66 |
| 8 | Barclays (K) Nominees Limited A/c 9230 | 904,614 | 0.63 |
| 9 | Kenya Commercial Bank Nominees Limited A/c 744 | 735,115 | 0.52 |
| 10 | Barclays (Kenya) Nominees Limited A/c 1256 | 734,296 | 0.51 |

# Distribution of Shareholding at 31 December 2009

| Shareholding (No. of shares) | No. of shareholders | No. of shares held | % Shareholding |
|---|---|---|---|
| 1 - 500 | 2,889 | 642,243 | 0.45 |
| 501 - 5,000 | 5,307 | 10,112,119 | 7.09 |
| 5,001 - 10,000 | 810 | 5,637,912 | 3.95 |
| 10,001 - 100,000 | 901 | 20,963,792 | 14.70 |
| 100,001 - 1,000,000 | 75 | 19,306,600 | 13.54 |
| Over 1,000,000 | 6 | 85,947,854 | 60.27 |
| **TOTAL** | **9,988** | **142,610,520** | **100.0** |




# 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 19 May 2010 at 2:00pm 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.

# Fomu ya Uwakilishi

Mimi/Sisi ______________________________________________

nikiwa mwanachama/wanachama wa Nation Media Group Limited, ninamteua ______________________

______________________ wa ______________________

Na akikosa yeye ______________________ ana akikosa

yeye mwenyekiti wa mkutano kama muwakilishi wangu/wawakilishi wetu wa kunipigia kura kwa niaba yangu/yetu katika mkutano wa mwaka wa kampuni utakaofanyika Mei 19 2010 saa nane alasiri na kukamilishwa kivyovyote baada ya hapo.

Kwa ushahidi wa mkono wangu ______________________

Sahihi ______________________

## MAELEZO MUHIMU:

1 Ikiwa huwezi kuhudhuria mkutano huu wewe binafshi fomu hii ya muwakilishi inastahili kujazwa na kurudishwa kwa Katibu, Nation Media Group Limited, S.L.P. 49010 00100 GPO Nairobi ili imfikie kabla ya saa 48 ya muda ulioamuliwa wa mkutano kufanyika.

2 Mtu aliyeteuliwa kama muwakilishi sio lazima awe mwanachama wa kampuni/

3 Ikiwa aliyeteuliwa ni shirika, fomu hii ya muwakilishi lazima iwe na mhuri ama kuwa na sahihi ya afisa wa wakili ambaye ameidhinishwa kwa maandisho.