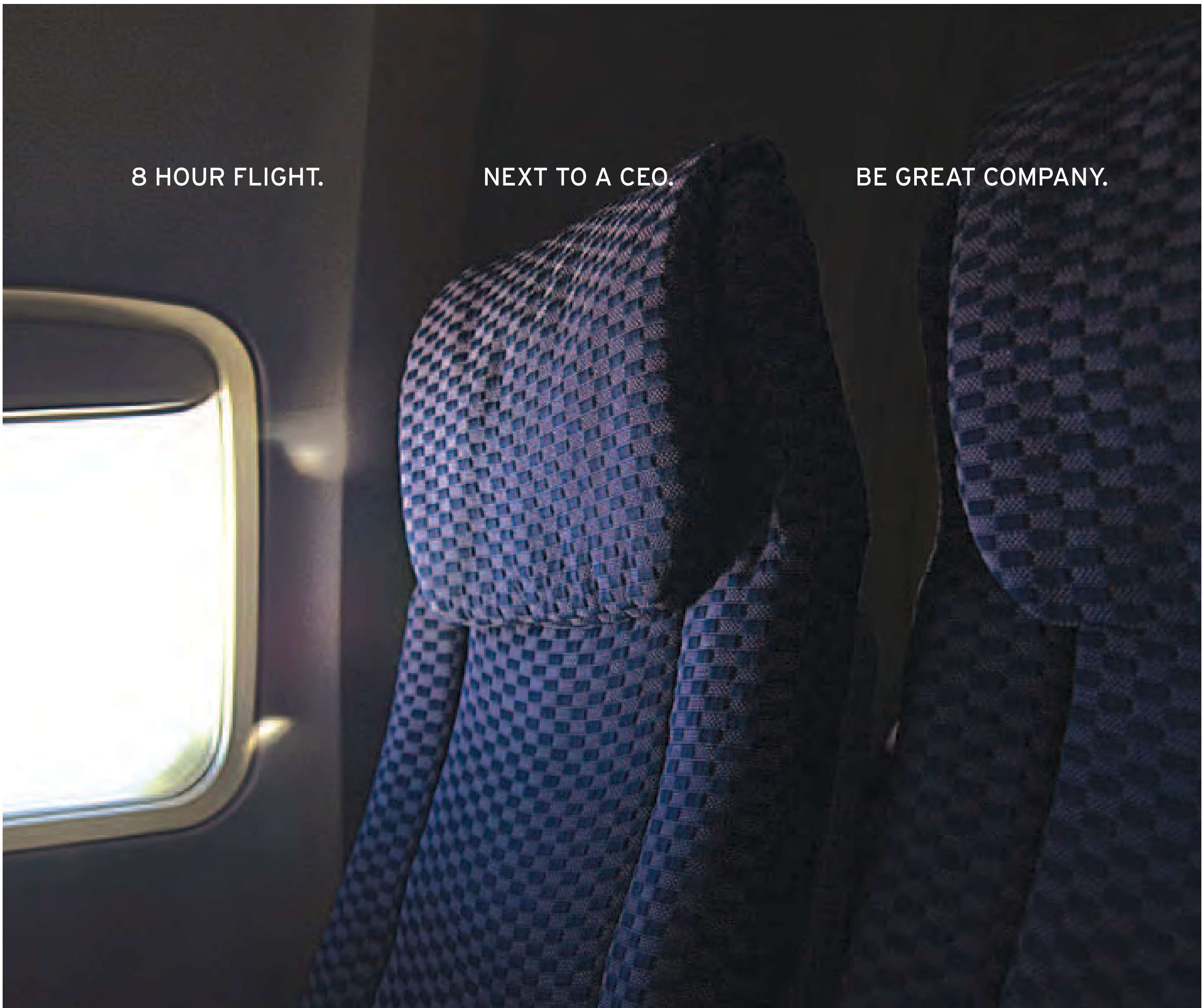
BRANDS

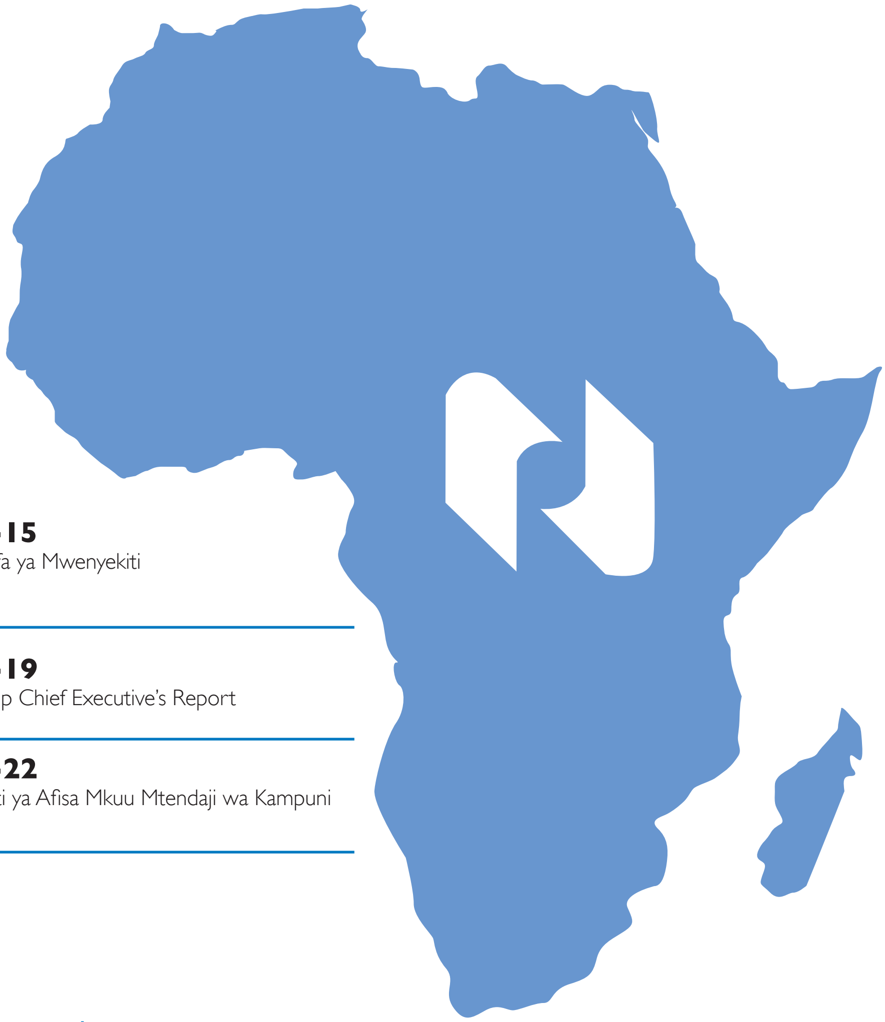
DAILY NATION BUSINESS DAILY The EastAfrican TAIFA LEO
ntv e africa
96.3 easyfm QFM
n-soko.com The Easy Way

Daily Monitor TRUTH EVERYDAY The EastAfrican
KFM
NTV

The EastAfrican
98.7 KFM

MWANANCHI THE CITIZEN Spoti The EastAfrican


8 HOUR FLIGHT.
NEXT TO A CEO.
BE GREAT COMPANY.



HIGHLIGHTS

BUSINESS REVIEW

Table of Contents

FINANCIAL STATEMENTS

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Ninth Annual General Meeting of the Shareholders of Nation Media Group Limited will be held at the Amphitheatre, Kenyatta International Conference Centre, Nairobi on Friday 27th April 2012 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1 To receive the financial statements for the year ended 31st December 2011, and the chairman's, directors' and auditors' reports thereon.

2 To confirm the payment of the interim dividend of Kshs.1.50 per share (60%) and to approve the payment of the final dividend of Kshs.6.50 per share (260%) on the ordinary share capital in respect of the year ended 31st December 2011.

3 To confirm that PricewaterhouseCoopers continue in office as the Auditors in accordance with Section 159 (2) of the Companies Act (Cap 486) Laws of Kenya and to authorize the directors to fix their remuneration.

4 To elect and re-elect the following directors:

In accordance with Article 96 of the Company's Articles of Association, Dr. S. Kagugube who was appointed a director on 22nd September 2011 and Mr. A. Salkeld, who was appointed a director on 17th December 2011, retire and being eligible, offer themselves for election.

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

5 To approve an increase of 10% on the non-executive directors remuneration.

SPECIAL BUSINESS

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

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

7 An amendment of the Company's Articles of Association by the introduction of a new Article 148(b) which shall state:

"The Company's Annual Report and Financial Statements for each financial year shall be made available and published on the Company's official website which shall be accessible to the members. The Company shall send to the members by electronic means such financial statements to the address notified by the members to the Company for that purpose and shall not be required to send printed copies thereof to the members who have so elected. The Company shall publish a notice in the media informing the members of the availability of the financial statements on the Company's website."

BY ORDER OF THE BOARD
J C KINYUA
SECRETARY
14 MARCH 2012

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.

ILANI YA MKUTANO MKUU WA KILA MWAKA

Ilani inatolewa kwamba Mkutano wa Arubaine na Tisa wa Kila Mwaka wa Wenyehisa wa kampuni ya Nation Media Group Limited utafanywa katika Amphitheatre, Kenyatta International Conference Centre, Nairobi mnamo Ijumaa Aprili 27, 2012 saa nane mchana kwa madhumuni yafuatayo:

SHUGHULI ZA KAWAIDA

1 Kupokea taarifa ya kifedha ya mwaka uliokamilika Desemba 31, 2011, na ripoti za mwenyekiti, wakurugenzi na wakaguzi wa hesabu.

2 Kuthibitisha kulipwa kwa mgao wa muda wa Shilingi 1.50 kwa kila hisa (asilimia 60) na kuidhinisha malipo ya mwisho wa Shilingi 6.50 kwa kila hisa (asilimia 260) kwa hisa za kawaida kuambatana na mwaka uliokamilika Desemba 31, 2011.

3 Kuthibitisha kuwa PricewaterhouseCoopers wataendelea kuhudumu kama wakaguzi wa hesabu kwa mujibu wa Sehemu ya 159(2) ya Sheria za Kampuni (Cap 486) Sheria za Kenya na kuidhinisha wakurugenzi kufanya maamuzi kuhusu malipo yao.

4 Kuchagua na kuwateua tena wakurugenzi wafuatao:

Kwa mujibu wa kifungu cha 96 cha Sheria za Kiushirika za Kampuni, Dkt S. Kagugube aliyeteuliwa kuwa mkurugenzi mnamo Septemba 22, 2011 na Bw A. Salkeld, aliyeteuliwa kuwa mkurugenzi mnamo Desemba 17, 2011, wanastaafu na kwa kuwa wanaruhusiwa, wanajiwasilisha kwa uchaguzi kama wakurugenzi.

Kwa mujibu wa kifungu cha 110 cha Sheria za Kiushirika za Kampuni, Bw D. Aluanga, Bw A. Poonawala na Bw G. Wilkinson, wanastaafu kwa zamu na kwa kuwa wana fursa ya kuwania tena, wangependa kuteuliwa tena kuwa wakurugenzi.

5 Kuidhinisha nyongeza ya asilimia 10 kama malipo kwa wakurugenzi wasio waajiriwa wa Kampuni.

SHUGHULI MAALUM

Kuzingatia na ikikubalika, kupitisha maazimio yafuatayo kuwa Maazimio Maalum:

6 "Kwamba Prof. L Huebner, mkurugenzi anayestaafu kuambatana na Kifungu cha 101 cha Sheria za Kiushirika za Kampuni, na ambaye ana umri wa zaidi ya miaka 70, bila kuzingatia umri wake, atachaguliwa tena kuwa mkurugenzi wa Kampuni kwa kipindi kingine cha mwaka mmoja."

7 Kufanyia Marekebisho Sheria ya Kiushirika za Kampuni kwa kuanzisha kifungu kipya cha 148(b) ambacho kitasema:

"Taarifa za Kila Mwaka za Kampuni na zila za Kifedha kwa kila mwaka wa kifedha zitapatikana na kuchapishwa kwenye mtandao rasmi wa Kampuni ambao utakuwa unaweza kuonekana na wenyehisa. Kampuni itatuma kwa wenyehisa kwa njia ya elektroniki, taarifa hizo kwa anwani za barua pepe (e-mail) kwa wenyehisa wanaotaka hivyo na haitalazimika kutuma nakala zilizochapishwa kwenye karatasi kwa wenyehisa watakaopenda hivyo. Kampuni itachapisha ilani kwenye vyombo vya habari kuwajulisha wenyehisa kuhusu kupatikana kwa taarifa za kifedha kwenye mtandao wa Kampuni."

KWA IDHINI YA HALMASHAURI,
J C KINYUA
KATIBU
MACHI 14, 2012

Tambua: Mwenyehisa anayeruhusiwa kuhudhuria na kupiga kura anaweza kumteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mtu huyo anayemwakilisha si lazima awe mwenyehisa wa Kampuni. Ili kutimiza masharti ya kuwakilisha, mtu huyo lazima asajiliwe katika ofisi zilizosajiliwa rasmi za Kampuni kufikia saa 48 kabla ya wakati wa mkutano.

The Company is committed to upholding the best international standards of good corporate governance.

The role of the Board is to determine the Company's policies and strategies, to monitor the attainment of the 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.

The Board has the following standing Board Committees:-

1. Nominations Committee, which is responsible for executive and non-executive board appointments and which meets twice a year. 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. The members of the committee with the exception of the Group Chief Executive Officer, are independent and non-executive directors.

2. Finance and Audit Committee, whose responsibility is 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 full year financial statements and which meets quarterly each year. Mr. D. Aluanga chairs the committee which has Mr. A. Poonawala and Dr. S. Kagugube as members. The members of the committee are independent and non-executive directors.

3. Strategic Planning Committee, which reviews the Group's medium and long term strategic aims and direction and which meets quarterly each year. Prof. L. Huebner chairs the committee which has Mr. G. M. Wilkinson, Dr. Y. Jetha, Mr. R. Dowden, Mr. L. W. Gitahi, Mr. S. Gitagama and Mr. A. Salkeld as members.

4. Editorial Committee, which considers and advises on the Group's editorial policy, the journalistic code of ethics and legal responsibilities and which meets quarterly each year or as often as necessary. Mr. F. O. Okello chairs the committee which has Mr. D. Aluanga, Prof. O. Mugenda, Mr. R. Dowden and Mr. L. W. Gitahi as members.

5. Human Resources and Remuneration Committee, is charged with the responsibility of considering human resource policies and recommending non executive directors and senior executives remuneration to the Board and which meets quarterly each year. Dr. Y Jetha chairs the committee which has Mr. A. Poonawala, Prof. O. Mugenda and Mrs. Z. Muro as members. The members of the committee are independent and non-executive directors.

The Chairman of the Board is an independent and non-executive director and is elected by the board of directors to hold office after every three years.

There is a clearly defined organisational structure within which individual responsibilities and authority limits 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 Group. The team deals with operational matters and co-ordinates activities across the Group's various subsidiary companies and divisions.

FINANCIAL HIGHLIGHTS 2011

Performance Highlights

Group turnover increases by Kshs.1.6 Billion (17.1%) to Kshs. 11.25 Billion

Profit before tax increases by 30.9% to Kshs. 2.81 Billion

Profit attributable to shareholders increases by 28.3% to Kshs.1.95 Billion

Dividend per share for the year of Kshs. 8.00

Group turnover

11.25bn

+17.1%

Profit before tax

2.81bn

+30.9%

Profit attributable to shareholders

1.95bn

+28.3%

Mukhtasari wa Matukio ya Mwaka wa 2011

Mapato ya Jumla ya Kampuni yaliongezeka kwa Shilingi 1.6 Bilioni (asilimia 17.1%) hadi Shilingi 11.25 Bilioni

Faida kabla ya ushuru iliongezeka kwa asilimia 30.9% hadi Shilingi 2.81 Bilioni

Faida inayotokana na wenyehisa iliongezeka kwa asilimia 28.3% hadi Shilingi 1.95 Bilioni

Mgao uliolipwa kwa mwaka huo wa Shilingi 8.00 kwa kila hisa

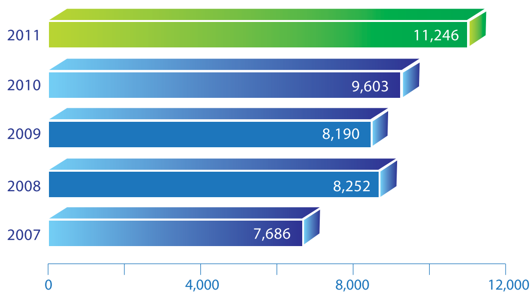
CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Financial Statements for the year ended 31 December 2011. Our company achieved significantly improved results compared to the previous year. Our turnover for the year increased by 17.1% to Kshs. 11.2 billion, with the profit before tax increasing to Kshs. 2.8 billion (30.9%) from Kshs. 2.15 billion in 2010.

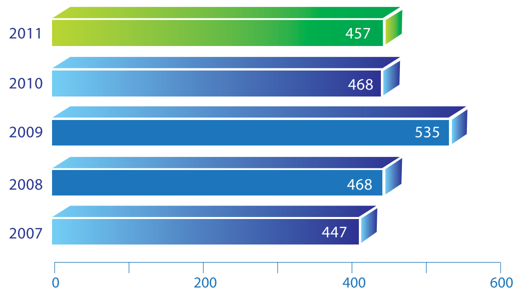
W. D. Kiboro Chairman

CHAIRMAN'S STATEMENT
continued

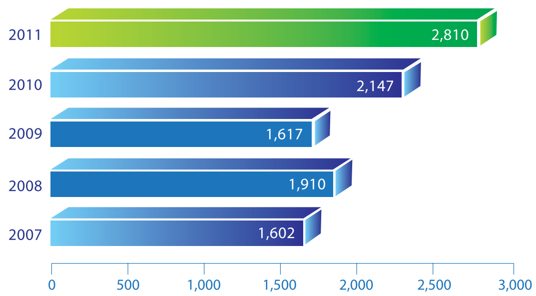
TURNOVER (KSHS M)



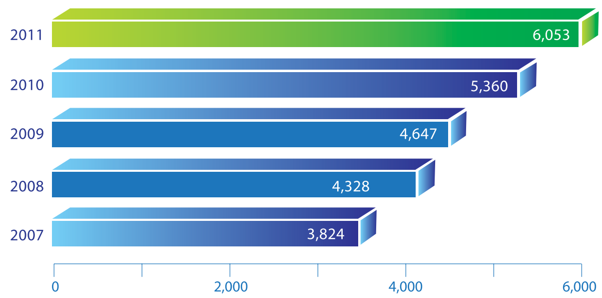
CAPITAL EXPENDITURE (KSHS M)



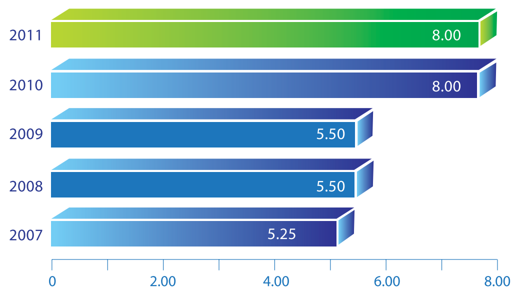
PROFIT BEFORE TAX (KSHS M)



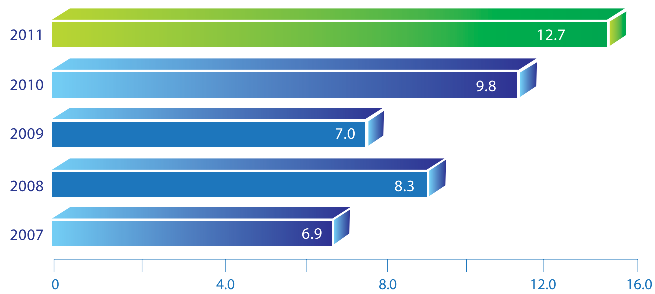
SHAREHOLDERS' FUND (KSHS M)



DIVIDEND PER SHARE (KSHS)



EARNINGS PER SHARE (KSHS)



The improved performance is attributable to: growth of market share of the Nation Newspapers division; circulation and advertising revenues and higher contributions from NTVU; the *Business Daily* and interest income earned. Collectively, the performance by the divisions across our business contributed to a 29.2% increase of the comprehensive income for the year.

2011 DIVIDEND

The Directors have recommended, subject to the shareholders' approval at the Annual General Meeting, a final dividend for the year of Kshs. 6.50 (260%) per share on the issued share capital of 157,118,572 ordinary shares of Kshs. 2.50 each. In addition, the Directors paid an interim dividend of Kshs. 1.50 (60%) per share. This makes a total dividend payout of Kshs. 8.00 (320%) per share for the year ended 31 December 2011, subject to withholding tax where applicable.

REGIONAL ENVIRONMENT

The East African Community has been spurred by the need to expand markets, boost competitiveness and attract investment. In response member countries have taken steps to make it easier for firms to start up and operate businesses. The year in review, was a year of challenges for many businesses in the region, but our company emerged stronger and more resilient.

CHAIRMAN'S STATEMENT
continued

The global macroeconomic landscape was adversely affected as a result of significant energy and fuel price increases further compounded by a deepening Eurozone financial crisis.

In the East African region, rising double digit inflation, depreciation of the local currencies against the dollar and the other major world currencies and a food crisis caused by drought adversely affected the regional economies.

BUSINESS ENVIRONMENT

Kenya's economy remained under pressure and decreased to a GDP growth of 4.2% in 2011 compared to 5.6% in 2010. In Uganda the prospects of a burgeoning oil industry has kept overall GDP growth prospects at 5.6% while in Tanzania with a significant slowdown, GDP growth is expected at 6.4%.

Despite the tough operating environment, the board is glad to report a significant improvement on performance over last year.

The Group's footprint in the region was expanded during the period with the launch of 98.7 KFM a radio station in Rwanda. The Republic of South Sudan has opened up the prospects of new market opportunities for our multi-media platforms.

GROWTH

We continue to explore for opportunities within the region to enhance an end-to-end authoritative multi-media platform in broadcasting, print and the digital media. Our key investments in the region are bearing fruit as can be seen in the increased contributions from the markets outside Kenya.

CORPORATE SOCIAL RESPONSIBILITY

In all our operations, we take cognizance that our sustainability and success are dependent upon the environment and the communities in which we operate.

In this regard, we set aside resources that go towards the implementation of various activities within our NationLife: Our Passion for Community initiatives. In the period under review, the Company set aside Kshs. 19 million.

The Company reinforced its commitment to the community by initiating and enhancing several long-term projects. Under the 'Get on the Bus' Scholarship and Excellence programme, 74 scholars have been incorporated in Kenya and Uganda. We shall extend the programme to Tanzania in 2012. The initiative identifies needy and bright post-primary students for scholarships for their entire secondary school education. They are also included into a mentorship and excellence programme to prepare them for leadership.

The Newspapers in Education programme attracted further sponsorship from companies in the region to provide newspapers to marginalized schools in Kenya and Uganda. The programme is benefiting more than 96,000 students who interact with our publications in innovative ways allowing them to expand their language skills as well as broadening their horizons.

In intensifying our efforts in the preservation of the environment, the Save the Mau Trust project planted more than 350,000 trees in 2011 in collaboration with other corporates. The Mau Trust was allocated a 4,000 hectare rehabilitation block in Eburru Forest.

Our staff joined in supporting the Kenyans for Kenya hunger alleviation campaign. Beyond contributing money towards the initiative, 38 staff members climbed Mt. Kilimanjaro to raise funds for long-term food security projects.

BOARD

During the year in review, Dr. Martin Aliker and Mr. James Lee retired from the board. Mr. James Lee had been a Director since December 2001. Dr. Aliker joined the board in June 2001 and served as the Chairman of the Board from 2007 to 2009. I wish to express the board's gratitude to both gentlemen for their diligent and committed service to the Company.

I also take this opportunity to welcome Dr. Simon Kagugube and Mr. Adam Salkeld who were appointed to the board in 2011. Dr. Kagugube is the Chairman of Monitor Publications Limited, in Uganda and is a member of the Finance and Audit Committee. Mr. Salkeld is a member of the Strategic Planning Committee. I look forward to their contributions to the further success of the company.

CHAIRMAN'S STATEMENT
continued

EDITORIAL POLICY & FUTURE PROSPECTS

In 2011, our journalists trail blazed in covering the General Elections in Uganda and the Referendum in South Sudan. The task of reporting the general election in Kenya will be monumental because of the country's devolved governance structure. The Board's Editorial Committee will be at the forefront in defining and ensuring a balanced and ethical journalistic practice that will not be skewed in support of any candidates or political parties.

Overall, the trading environment is projected to improve in 2012 and our resolve is to remain focused on pursuing and applying resources on strategies that enable the Company to take advantage of emerging opportunities to grow the business.

I want to convey my sincere and deep gratitude to my fellow Directors, the management and the staff, customers and business partners, for your continued support and contribution towards the Company's success.

W. D. KIBORO
CHAIRMAN

Despite the tough operating environment, the board is reporting a significant improvement on performance over last year.

TAARIFA YA MWENYEKITI YA MWAKA WA 2011

Nina furaha kuwasilisha Ripoti ya mwaka na Taarifa ya Kifedha ya mwaka wa uliomalizika tarehe 31 Desemba, 2011. Kampuni yenu ilifaulu kuleta matokeo mazuri ikilinganishwa na mwaka uliotangulia. Mapato yetu ya Mwaka yaliongezeka kwa asilimia 17.1 kwa Shilingi bilion 11.2 wakati ambapo faida kabla ya kutozwa ushuru ikiongezeka kwa Shilingi bilion 2.8 kwa asilimia 30.9 kutoka kwa Shilingi bilion 2.15 katika mwaka wa 2010.

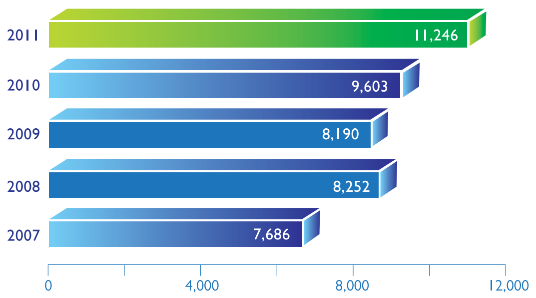
W. D. Kiboro Mwenyekiti

Matokeo mazuri yametokana na kukua kwa soko la kitengo cha Usambazaji magazeti wa Nation na kadhalika mapato ya matangazo na pia mchango kutoka kwa NTV (U), gazeti la Business Daily na kiwango cha riba kilichopatikana. Mafanikio hayo ya vitengo hivyo vya kibiashara yalichangia ongezeko la asilimia 29.2 kwenye mapato ya jumla ya mwaka.

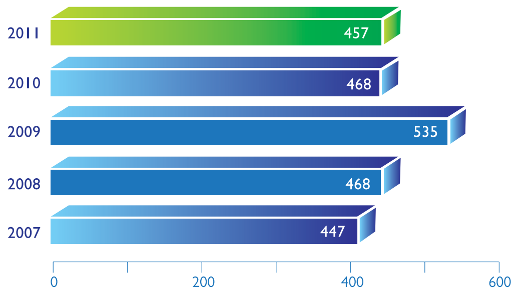
Licha ya hali ngumu za soko la kibiashara, tunafurahia matokeo ya mafanikio yetu. Tumedhihirisha kuwa biashara ni nyepesi na yenye nguvu ya kuhimili changamoto za kibiashara. Kampuni yenu imeweka nyenzo kabambe za kuboresha uongozi wa soko katika siku za usoni.

TAARIFA YA MWENYEKITI YA MWAKA WA 2011
kuendeleza

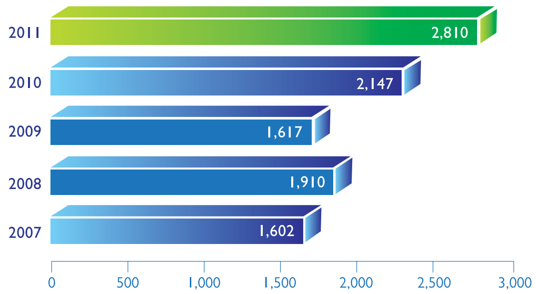
MAPATO YA JUMLA (KSHS M)



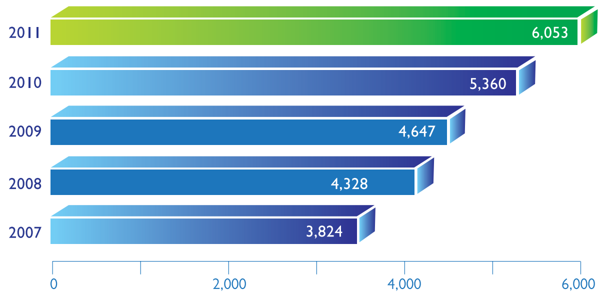
MATUMIZI YA MTAJI (KSHS M)



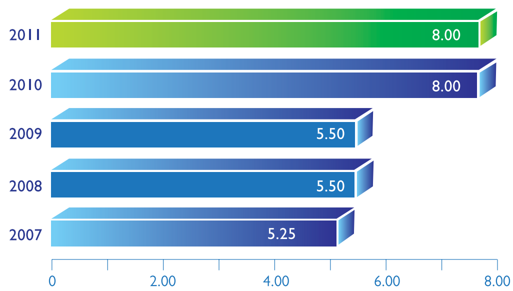
FAIDA KABLA YA KUTOZWA USHURU (KSHS M)



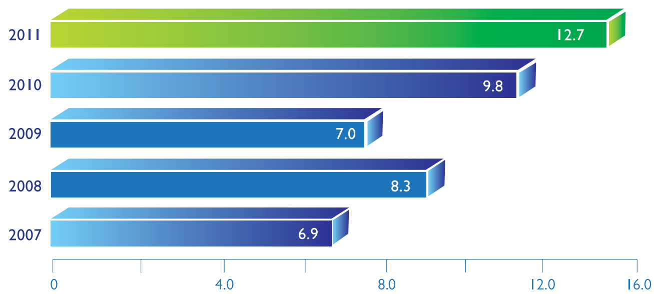
HAZINA YA WENYE HISA (KSHS M)



MGAO KWA KILA HISA (KSHS)



MAPATO KWA HISA (KSHS)



MGAO WA MWAKA WA 2011

Kutokana na uidhinishaji wa Wenye Hisa kwenye Mkutano Mkuu wa Mwaka, Wakurugenzi walipendekeza mgao wa mwisho wa mwaka kuwa Shilingi 6.50 kwa kila hisa kwenye mtaji wa kila hisa wa 157,118,572 wa hisa za kawaida uliotolewa wa Shilingi 2.50 kwa kila hisa. Zaidi ya hapo, wakurugenzi walilipa mgao wa nusu ya mwaka wa shilling 1.50 kwa kila hisa. Hii inajumuisha malipo yote ya hisa kuwa shiling 8.00 kwa kila hisa kwenye mwaka uliomalizika tarehe 31 Desemba 2011, hii ikiwa ni pamoja na ushuru wa hifadhi kila inapohitajika.

BIASHARA KATIKA AFRIKA MASHARIKI

Jumuiya ya Afrika Mashariki inazidi kuongeza na kupanua ushirikiano wake miongoni mwa mataifa matano wanachama, ikiwa ni pamoja na: Burundi, Kenya, Rwanda, Tanzania na Uganda. Nchi za Afrika Mashariki zimechukua hatua muhimu za kurahisishia mashirika kuanza na kuendesha biashara. Shabaha kamili ya hatua hii ikiwa ni kupanua masoko, kuboresha ushindani wa kibiashara na kuvutia wawekezaji. Hata hivyo, mwaka huo wa 2011 ulikuwa na changamoto tele kwenye biashara nyingi nchini lakini kwa bahati nzuri Kampuni yenu ilifanikiwa kijizatiti na kuimarisha kibiashara zake.

TAARIFA YA MWENYEKITI YA MWAKA WA 2011
kuendeleza

Mandhari ya uchumi wa kibiashara ulimwenguni yalikuwa na changamoto nyingi kutokana na kuongezeka kwa bei ya nishati na mafuta ambazo zilisababisha kuenea kwa machafuko Afrika Kaskazini na Nchi za Uarabuni na kuzidisha hali ya hatari ya kifedha.

Hapa karibu na nyumbani katika ukanda wa Afrika Mashariki kuongezeka kwa Mfumko wa bei mara mbili, kudorora kwa thamani ya sarafu ya Kenya dhidi ya Dola na sarafu zingine ulimwenguni na kadhalika ukosefu wa chakula ulisababishwa na ukame katika Pembe ya Afrika, ambapo kwa kiasi kikubwa uliathiri uchumi wa kitaifa. Hali hii iliongeza msukumo kwenye bidhaa za nyumbani na kutishia biashara ambayo kwa haraka iliathiri mapato na kufanya gharama ya maisha kuwa juu.

MAZINGIRA YA KIBIASHARA

Uchumi wa Kenya ulikuwa katika msukumo mkali na ukaambatanishwa na ukuaji wa kiwango cha mapato kwa asilimia 4.2 kwenye mwaka huo wa 2011 ikilinganishwa na asilimia 5.6 katika mwaka wa 2010. Huko nchini Uganda, matarajio ya uvumbuzi wa Kiwanda cha mafuta yaliweza kuthibiti ukuaji wa kiwango cha mapato kwa jumla kwa asilimia 5.6 wakati Tanzania ikiwa na kiwango kidogo cha mapato ya ukuaji ikitarajiwa kuwa ilifikia asilimia 6.4.

Licha ya mazingira hayo magumu ya kibiashara, bodi inafurahia kutangaza mafanikio ya utendaji kazi ukilinganisha na mwaka uliotangulia. Tumefanikiwa kwa biashara nyumbufu ambayo inaweza kuhimili changamoto zote za mazingira ya kibiashara na tutazidi kufanya hivyo katika siku za usoni.
Wakati tulipozindua Idhaa ya Redio nchini Rwanda tulijitambulisha vyema katika majanibu yote ya eneo hilo. Zaidi ya hayo, Jamhuri ya Sudan Kusini imetoa matumaini ya nafasi mpya za soko la bidhaa zetu.

UKUAJI

Uwekezaji wetu mkuu umeanza kuzaa matunda kwa kuwa umeanza kuonekana kwenye ongezeko la mchango kutoka kwa masoko ya nje ya nchi. Kamati imejitolea kupanua mikakati yetu iliyoko Afrika na kuboresha zaidi ushindani wa masoko ya kibiashara yaliyopo.

JUKUMU LA KIJAMII KATIKA SHIRIKA

Katika utendakazi wetu, tunatambua kuwa mafanikio hutegemea mazingira na jamii tunayofanyia kazi. Hivyo basi twahakikisha kwamba shughuli zetu zinapita kiwango cha matarajio ya washika dau wetu katika kijamii, kiuchumi na mazingira.

Kwa misingi hii, licha ya majukumu yaliyowekwa ya kijamii katika utendakazi wetu, tunatenga rasilimali zinazoendana na kutekeleza shughuli mbalimbali nchini: wasiwasi wetu kuhusu uamuzi wa jamii katika kipindi kinacho husika, kampuni ilitenga shilling milioni 19 ili iweze kufanya kazi na wanajamii ili kuthibitisha kujitolea kwetu na uhusiano wetu na washika dau wakuu.

Kampuni iliimarisha kujitolea kwake kwa jamii kwa kuanzisha na kuboresha miradi mbalimbali ya muda mrefu. Kwenye ufadhili wa masomo na mipango ya ubora, mradi wa “Get on the Bus” umewashirikisha watakaofadhiliwa 74 kutoka nchini Kenya na Uganda. Tutapanua mipango hii mpaka Tanzania katika mwaka wa 2012. Hatua hii hutafuta wanafunzi wasiojiweza kifedha wa shule za sekondari ili wafadhiliwe katika gharama ya elimu ya sekondari. Pia wameongezwa katika mipango ya ushauri na ubora ili kuwaandaa kwa uongozi.

Mradi wa Elimu kutokana na usomaji wa Magazeti, unaofahamika kama (Newspaper in Education), ulivutia ufadhili zaidi kutoka kwenye kampuni nyingi za ukanda huo ili kutoa magazeti kwa shule zilizotwezwa nchini Kenya na Uganda. Mpango huu hufaidi zaidi ya wanafunzi 45,000 ambao hujihusisha na machapisho yetu katika njia mbalimbali za ubunifu zinazowezesha kupanua ujuzi wao wa lugha sawa na upeo wao.

Katika jitihada zetu za kuhifadhi mazingira na mradi wa wetu wa kuokoa msitu wa Mau, miche zaidi 350,000 ilipandwa katika mwaka wa 2011 kwa ushirikiano na mashirika mengine. Mradi huu wa kuokoa msitu wa Mau ulitengewa hekta 4,000 za kuhifadhia msitu wa ‘Eburru’.

Wafanyakazi wetu waliungana na Wakenya wengine kusaidiana katika mpango wa Kenyans for Kenya, kampeni iliyonuia kuangamiza njaa. Licha ya kuchangisha pesa kwenye mpango huo, wafanyakazi wetu 38 walipanda Mlima Kilimanjaro ili

TAARIFA YA MWENYEKITI YA MWAKA WA 2011
kuendeleza

kuchangisha pesa za mradi wa kudumu ili kupata chakula cha kutosha wakishirikiana na Shirika la Mslaba Mwekundu nchini.

BODI KUU

Katika kipindi cha mwaka huo wa 2011, Dkt Martin Aliker na Bw. James Lee walistaafu kama wakurugenzi. Bw. James Lee alikuwa Mkurugenzi tangu Desemba mwaka 2001. Naye Dkt. Martin Aliker alijiunga na kamati mwezi Juni mwaka 2001 na akahudumu kama mwenyekiti wa kamati kutoka Mwaka wa 2007 hadi 2009. Kwa niaba ya kamati naomba kutoa shukrani zangu kwa Mabwana hawa wawili kwa uadilifu na kujitolea katika kuitumikia kampuni.

Nachukua fursa hii pia kuwakaribisha Dkt. Simon Kagugube na Bw. Adam Salkeld kwenye kamati, na ambao walioteuliwa kama wakurugenzi mwaka wa 2011. Dkt. Kagugube ndiye Mwenyekiti wa shirika la uchapishaji la Monitor nchini Uganda. Pia ni mwanachama wa kamati ya kukagua maswala ya kifedha. Bw. Salkeld ni mwanachama katika kamati ya mipango kabambe. Natarajia kuuona mchango wao katika mafanikio zaidi ya kampuni.

SERA ZA UHARIRI NA MATARAJIO YA SIKU ZA USONI

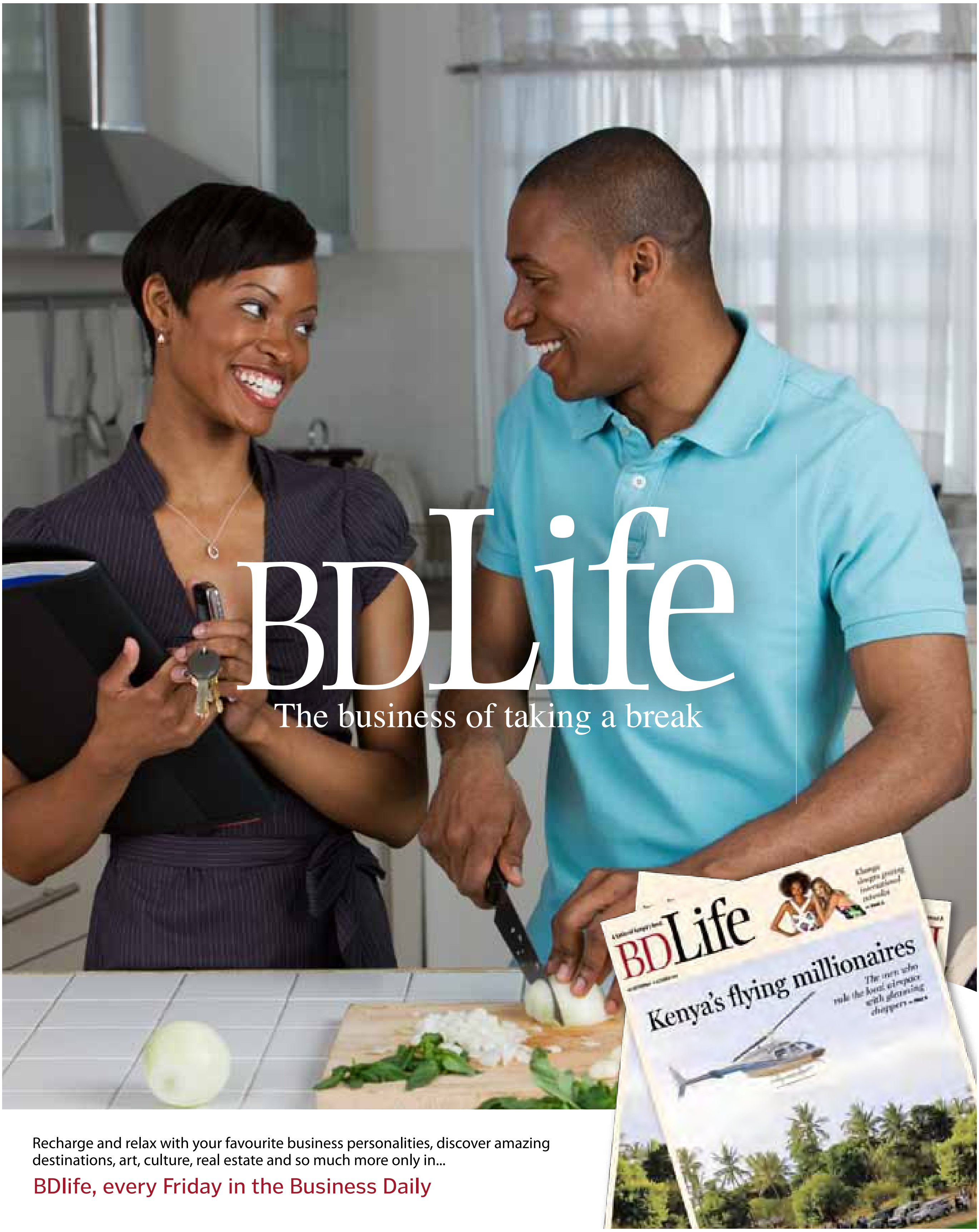
Katika mwaka wa 2011 wanahabari wetu walitia fora katika utangazaji wa uchaguzi mkuu wa taifa la Uganda na katika kura ya maoni huko Sudan Kusini. Kuripoti katika uchaguzi mkuu hapa Kenya itakuwa kazi kubwa mno kwa sababu ya mfumo wa uongozi wa majimbo nchini. Kamati ya uhariri itakuwa katika mstari wa mbele ili kubainisha na kuhifadhi nyendo za wanahabari zisizo za kikabila na ambazo hazitaegemea upande mmoja.

Kwa ujumla, mazingira ya biashara yanatarajiwa kuboreka katika mwaka wa 2012 na azimio letu ni kuwa na malengo katika kufuatilia na kutumia rasilimali kwenye mikakati itakayowezesha kampuni kutumia fursa na nafasi zinazochipuka ili kuendeleza na kuimarisha biashara yetu.

Ningependa kutoa shukrani zangu za dhati kwa Wakurugenzi wenzangu, Wasimamizi na wafanyakazi, wateja na wabia katika biashara yetu, kwa msaada na mchango wenu kwenye mafanikio ya kampuni.

W. D. KIBORO
MWENYEKITI

Licha ya hali ngumu za soko la kibiashara, tunafurahia matokeo ya mafanikio yetu. Tumedhihirisha kuwa biashara ni nyepesi na yenye nguvu ya kuhimili changamoto za kibiashara. Kampuni yenu imeweka nyenzo kabambe za kuboresha uongozi wa soko katika siku za usoni.



Recharge and relax with your favourite business personalities, discover amazing destinations, art, culture, real estate and so much more only in...

BDlife, every Friday in the Business Daily

GROUP CHIEF EXECUTIVE REPORT

East Africa faced a significant number of challenges in 2011 that threatened to slowdown economic growth in the region. In presenting the results for the year, we are committed to keep on the path of consistent delivery and sustained growth.

L. W. Gitahi Group Chief Executive

FINANCIAL PERFORMANCE

Despite the challenging local business environment, the Group's profit before tax increased by 30.9% to Kshs. 2.8 billion from Kshs. 2.1 billion in 2010, as a result of higher newspaper circulation volumes and an increase in the advertising revenues and market share.

The Group's turnover increased by 17.1% to Kshs. 11.25 billion from Kshs. 9.6 billion in 2010. The performance is attributable to Nation Newspaper Division (NND) circulation and advertising revenue growth, good performance from *NTV(U),* the *Business Daily* and substantial interest income earned from the Group's cash reserves.

NND's performance recorded a growth trajectory with advertising and circulation revenues growing by 10% and 19% respectively. Circulation revenues, were driven by strong editorial content, marketing promotions and circulation initiatives. The Group's strategy is to focus on content improvement to drive readership and loyalty.

Business Daily's performance improved in both circulation and advertising revenue which grew by 14% and 17% respectively. Several initiatives were introduced including: The Next Big Thing™, an initiative seeking to promote homegrown innovations; BD Life – a pullout in the Friday paper and Top40 men under 40 which lists the leading men in Kenya under the age of 40 years.

NEXT BIG THING

TOP 40 WOMEN UNDER 40

GROUP CHIEF EXECUTIVE REPORT
continued

The EastAfrican operating profits grew by 16% which points to the strong regional market appeal for the publication.

NTV benefited from significant investments in news and current affairs programmes, especially the innovative live broadcasts of the Weekly County Edition, the International Criminal Court proceedings at The Hague, the South Sudan referendum and the Independence Day Celebrations, the Uganda General Elections and the coverage of the Kenya Defense Forces activities in Somalia. *NTV Kenya's* operating profit rose by 40% while *NTV Uganda* increased by 68% and has the highest audience share in Uganda.

We continued to expand the appeal of our Radio broadcasting stations comprising of *QFM* and *EasyFM*. *QFM* revenues grew by 52%.

Nation Digital Division's performance has shown consistent improvements with online advertising experiencing a growth surge of 32% while operating profits grew by 51%. NationMobile sales increased 57%. Site optimization and content improvement contributed to the good revenue results.

Nation Carriers' performance was supported by improved fleet management which was commendable given the high fuel pump prices that were experienced for most of the year.

Monitor Publications Limited operations continue to do well following the commissioning of a new printing press. The flagship publication *Daily Monitor* and its sister paper *Sunday Monitor* benefited from a content layout re-design process which has been received well by the market. These two factors have pushed circulation and advertising revenues up, by 15% and 14% respectively.

Mwananchi Communications Ltd's performance surged with operating profit up by 75%, with impressive circulation copy sales. Circulation revenue was up by 36% while advertising grew by 13%. Strong editorial content and high print quality with additional colour capacity have been the major drivers for the *Mwananchi* and *Mwanaspoti* publications. *Mwanaspoti* was rolled out for sale in Kenya and has received positive responses from the readers.

IMPROVING OUR EFFICIENCY

Our technology platform is at the core of our business. The Group has been at the forefront of leveraging the use of cutting edge technology, to drive performance and efficiency.

The Group has leveraged on the expanding regional fibre optic network to fully integrate our business operations into one homogeneous network. We print *The East African* in Uganda and Tanzania for the local markets.

These enhancements have enabled for the use of an Enterprise Resource Planning (SAP) System, which supports our Finance and the Sales and Distribution services which are accessed centrally to reduce transactional costs and increase our efficiency at all levels of the business.

MWANASPOTI LAUNCHED IN KENYA

MONITOR RE-DESIGNED

GROUP CHIEF EXECUTIVE REPORT
continued

NATIONLIFE: CONNECTED TO COMMUNITY

Our commitment to communities was in the areas of Education, Health, Environment and Community sponsorship. Targeting the next generation of East African leaders, we extended the 'Get on the Bus' Scholarship, Excellence and Mentorship programme from Uganda to Kenya. The programme is set to benefit bright post primary students from disadvantaged backgrounds.

A campaign mooted and named UME-DOO in collaboration with several other corporates, joined forces to support the Kenya Red Cross Society to help alleviate the famine situation in Kenya. This preceded the Kenyans for Kenya campaign that involved a campaign outreach to Kenyans of goodwill. As part of the initiative, our staff climbed Mt. Kilimanjaro to contribute towards long-term food security projects.

Save the Mau Trust, an initiative by Nation Media Group, East African Breweries Limited, Equity Bank, Kenya Wildlife Services and the Green Belt Movement planted 350,000 tree seedlings in the Mau Escarpment, following the allocation of 4,000 hectares by the Government of Kenya for rehabilitation at the Eburru Forest. The target of planting one million trees in phase 1 of the project is on course.

During our annual Community Week held in October, the staff supported several community projects in Kenya and Uganda, which benefited from a fund matching scheme from the Group.

PEOPLE TALENT

The Company has maintained a strong talent management and development programme which develops staff capabilities for future business challenges.

Thirty senior managers went through a 360° feedback process from their teams, peers and managers. This process gave the management a good snapshot of the competencies and strengths, as well as a way to support skills development for success.

The Group instituted various executive learning programmes, an e-learning facility for all our staff and targeted exposure and training opportunities for staff within the region.

PROSPECTS

The outlook for the year 2012 shows an optimistic rebound from the macroeconomic challenges experienced last year. The regional growth is expected from economic reforms, investments in natural resources and mineral wealth and enhanced cross border trading

I wish to sincerely thank the Board of Directors, the staff, as well as all our stakeholders for your support and I look forward to your cooperation in achieving improved results in the year ahead.

L. W. GITAHI
GROUP CHIEF EXECUTIVE OFFICER

The Group instituted various executive learning programmes, an e-learning facility for all our staff and targeted exposure and training opportunities within the region.

RIPOTI YA MKURUGENZI MKUU MTENDAJI

Ukanda mzima wa Afrika Mashariki ulipata changamoto nyingi zilizotishia kuzorotesha ukuaji wa uchumi katika eneo zima kwenye kipindi cha mwaka wa 2011.Wakati tunapowasilisha matokeo hayo, tumejitolea kufuata mkondo utakaotusaidia katika utoaji Huduma bora na kusababisha mafanikio makubwa ya kipindi kirefu.

L. W. Gitahi Mkurungenzi Mkuu Mtendaji

MATOKEO YA KIFEDHA

Licha ya changamoto nyingi katika mazingira ya biashara za humu nchini, tulifaulu kupata matokeo bora ya kifedha. Faida kabla ya ushuru ya shirika hili, iliongezeka kwa asilimia 30.9 hadi Shilingi bilioni 2.8 kutoka Shilingi bilioni 2.1 mnamo mwaka wa 2010. Mafanikio haya yalitokana na kuongezeka kwa viwango vya usambazaji wa magazeti na hali kadhalika kuongezeka kwa mapato ya matangazo.

Hazina ya jumla ya shirika hili iliongezeka kwa asilimia17.1 hadi kufikia Shilingi bilioni 11.25 kutoka Shilingi bilioni 9.6 iliyokuwa imezalishwa mnamo mwaka wa 2010. Mafanikio haya yalipatikana baada ya Idara ya Magazeti ya 'Nation Newspaper Division (NND)' kwenye vitengo vya Usambazaji na Matangazo vilipozalisha mapato mazuri, matokeo mazuri ya *NTV (U)*, gazeti la *Business Daily* na hali kadhalika faida ya riba iliyopatikana kutoka kwa akiba ya pesa taslimu ya Shirika.

Tulifaulu kuwa na matokeo bora kutokana na uelewa wetu mzuri wa mikakati ya kibiashara kwenye soko la shughuli zetu na kadhalika kuelewa vyema mahitaji ya wateja wetu na hatimaye kuthibiti harakati za utendakazi wetu katika utoaji huduma ili kupambana na ushindani mkali wa kibiashara kwenye soko.

Matokeo mazuri ya NND yalipatikana baada ya Idara za Usambazaji na ile ya Matangazo kukua kwa asilimia 10 na 19 mtawalia. Mapato ya Idara ya Usambazaji, yalichangiwa na matini ama taarifa zilizohaririwa vyema, matangazo na mikakati mbali mbali kutoka katika idara ya mauzo na usambazaji. Miradi kabambe ya shirika hili ni kutilia maanani uboreshaji wa matini ili kutoa msukumo wa kusomwa kwa magazeti na wateja wetu kupenda magazeti yetu dhidi ya mengine.

Matokeo ya gazeti la *Business Daily* yaliimarika katika kitengo cha usambazaji na hali kadhalika kwenye mapato ya matangazo huku asilimia 14 na 17 mtawalia. Miradi mingi ya Idara ya mauzo na ile ya uandishi ilianzishwa, ikiwa ni pamoja na: The Next Big Thing™, mradi uliokuwa na lengo la kukuza vipawa vya humu nchini; BD Life – a jarida katika Gazeti la Ijumaa; na Top40 men under 40 ambalo linawaorodhesha wanaume 40 nchini Kenya walio na umri chini ya miaka 40.

Faida ya gazeti la *The EastAfrican* iliongezeka kwa asilimia16, hii ikiwa ni ishara nzuri katika soko la ukanda huu wa Afrika Mashariki katika usomaji wa gazeti hilo.

RIPOTI YA MKURUGENZI MKUU MTENDAJI
kuendeleza

Runinga ya ***NTV*** ilifaidika kutoka kwa uwekezaji wa habari na vipindi vya maswala ya kijamii, hususan hatua yao ya kuanzisha matangazo ya 'moja kwa moja' kama ilivyo katika Jarida la Jimbo (County Edition), uonyeshaji wa habari za mchakato wa washtakiwa wa Kenya huko katika makao makuu ya mahakama ya Jinai ya ICC- Hague, yaani 'International Criminal Court', kutangaza kuhusu Kura ya Maoni au refaranda ya taifa la Sudan-Kusini na kutuletea matangazo ya siku yao kuu ya kujinyakulia Uhuru, kutangaza Uchaguzi Mkuu nchini Uganda na kadhalika kuonyesha shughuli za kikosi maalum cha (KDF) wanajeshi wa Kenya wakipigana huko nchini Somali. Faida ya ***NTV Kenya*** ya utendakazi iliongezeka hadi asilimia 40 huku ile ya ***NTV Uganda*** ikiongezeka kwa asilimia 68 na kuwa kituo bora kilicho na watazamaji wengi zaidi nchini Uganda.

Tunaendelea kupanua vituo vyetu vya Radio, katia ya hivyo, ikiwa ni pamoja na *QFM* na *Easy FM*. Mapato ya *QFM* yaliimarika kwa asilimia 52, ikiwa imesaidiwa zaidi na kufanyika kwa matangazo ya shoo za barabarani na pia kutoa matangazo na habari za kitaifa kila wakati.

Idara ya 'Nation Digital Division' ilionyesha kukua huku matangazo ya mtandaoni yakiimarika kwa asilimia 32 na faida ya utendakazi ikiongezeka hadi asilimia 51. Mauzo ya NationMobile yaliongezeka na kufikia asilimia 57. Matokeo haya yalitokana na kuboreshwa kwa wavuti na tovuti za kitengo hicho.

Matokeo ya Idara ya 'Nation Carriers' yaliimarishwa kutokana na kusimamiwa vyema kwa magari yake, kwani hata baada ya bei ya mafuta kupanda katika kipindi kirefu cha mwaka huo, idara hiyo ilifanya vyema na kusifika si haba!.

Shughuli za **Monitor Publications Limited** ziliendelea kufanya vyema baada ya kusimikwa kwa mitambo mpya wa kuchapishia magazeti. Gazeti hili la ***Daily Monitor*** na gazeti jingine la kampuni hii la ***Sunday Monitor*** yalifaidi kutokana na kupewa sura mpya, hatua iliyopokelewa vyema na wasomaji wa Uganda. Sababu hizo mbili, zilisababisha kuimarika kwa mapato ya usambazaji na matangazo kwa asilimia 15 na 14 mtawalia.

Matokeo ya Mwananchi Communications Ltd yalikuwa mazuri huku faida ya biashara hiyo ikiongezeka na kufikia asilimia 75, huku ikisaidiwa na kukua kwa usambazaji wa idadi ya nakala za magazeti. Mapato ya usambazaji yalifikia asilimia 36 huku yale ya matangazo yakifikia asilimia 13. Taarifa nzuri za idara ya uandishi na ubora wa viwango vya uchapishaji kwa kutumia rangi nzuri na thabiti zilikuwa ndizo sababu kuu za ufanisi huo katika magazeti ya ***Mwananchi*** na ***Mwanaspoti***. Gazeti la ***Mwanaspoti*** lilizinduliwa hapa nchini Kenya na limepokelewa vyema na wasomaji wetu.

KUBORESHA MBINU ZA UTENDAKAZI WETU

Teknolojia ndio kiungo muhimu sana katika uendeshaji wa biashara yetu. Shirika hili limejishughulisha sana katika usimikaji wa mifumo mbali mbali ya kiteknolojia ya kisasa, ili kusababisha upatikanaji wa matokeo bora.
Shirika hili pia limejikakamua katika upanuzi wa kimtandao ili kuhakikisha kwamba utendakazi wa biashara zetu unafungamanishwa na kuwa kitu kimoja au mtandao mmoja bora nawa kisasa zaidi. Tunachapisha gazeti la ***The East African*** nchini Uganda na Tanzania ili kutosheleza soko la mataifa hayo.

Uboreshaji huo umewezesha utumiwaji wa mfumo wa 'Enterprise Resource Planning (SAP)' ambao unasaidia pakubwa katika utendakazi wa Idara za Fedha, Mauzo na Huduma za Usambazaji, ambazo hupata Huduma zao kutoka kwenye kituo kimoja ili kupunguza gharama na kusababisha ubora wa kazi katika ngazi zote za biashara yetu.

NATIONLIFE: USHIRIKIANO WA KIJAMII

Uwezo wa NMG wa kutekeleza biashara zake na kufanikiwa vyema katika pilkapilka za masoko, unatokana na Shirika hili kuweza kuendesha biashara hizo katika Ukanda mzima wa Afrika Mashariki.

Jukumu letu kwa wanajamii liliegemezwa katika kudhamini miradi mingi ya Elimu, Afya, Mazingira na hata miradi ya kuwashughulikia wanajamii. Lengo kamili la miradi hiyo likiwa ni kuwalenga viongozi wa kizazi kijacho kutoka Afrika Mashariki, ndiposa tukaongezea muda wa udhamini wa mradi unaofahamika kama 'Get on the Bus', huu ukiwa ni mradi wa Ubora na Ushauri Nasaha kwa taifa la Kenya. Mradi huu unatazamiwa kuwafaidi wanafunzi wanakamilisha darasa la nane wakielekea Shule ya Upili hasa wale wanaotoka katika jamii maskini.

Kampeni iliyoanzishwa na kupewa jina la 'UME-DOO' kwa ushirikiano na mashirika mbali mbali yaliyoungana ili kusaidia shirika la Kenya Red Cross Society, kwa lengo la kuangamiza tatizo la njaa nchini Kenya. Kampeni hii ilifuatiwa na ile ya kitaifa ya Kenyans for Kenya, uliokuwa mwito wa dhati kwa wakenya ambao wangeweza kutoa mchango wao. Kama njia mojawapo ya mradi huo, baadhi ya wafanyikazi wetu waliukwea mlima wa Kilimanjaro ili kutafuta pesa za ziada za kushughulikia tatizo la ukosefu wa chakula.

RIPOTI YA MKURUGENZI MKUU MTENDAJI
kuendeleza

Mradi wa ubia kati ya kampuni za NMG, EABL, Equity Bank, Kenya Wildlife Services na Green Belt Movement uliofahamika kama Save the Mau Trust ulisaidia kupandwa kwa miche 350,000 ya miti katika eneo la 'Mau Escarpment'. Hii ni baada ya Serikali ya Kenya kutenga hekta 4,000 ili kupanda miti katika Msitu wa 'Eburru' Azmio la kupanda miti Milioni moja bado ingalipo na sehemu ya kwanza ya mradi huo inaendelea.

Wakati wa Msimu wetu wa "Wiki ya Kijamii ya Kila Mwaka' ulioadhimishwa mnamo mwezi Oktoba, wafanyikazi wetu waliunga mkono miradi mingi sana ya kijamii hapa nchini Kenya na Uganda- na miradi hiyo iliifaa jamii yetu kwa namna mbali mbali.

AJENDA BORA KWA WAFANYIKAZI

Kampuni yetu ina njia muafaka ya kutafuta vipawa na kuvikuza ambayo hatimaye hujenga na kuwapa uwezo wafanyikazi ili kuweza kukabiliana na changamoto nyingi za kibiashara. Mameneja wakuu 30 walifunzwa kupitia mfumo wa utoaji taarifa unaofahamika kama wa 360° kwa lengo la kuwafaidi wafanyikazi wenzao, mameneja wengine na hata wafanyikazi wa ngazi za chini kazini. Utaratibu huu uliipatia kampuni picha kamili ya uwezo na udhaifu wa baadhi yao, na pia kushughulikia jinsi ya kukuza, kuboresha na kuthibiti maarifa ya utendakazi wao.

Ili kuthibiti mapengo ya kimaarifa na uelewa wao, Shirika hili lilianzisha miradi mbali mbali ya kutoa mafunzo maalum, mfumo wa masomo ya mtandaoni yaani'e-learning' kwa wafanyikazi wote ili kupevua fikra zao na kuwapa nafasi ya kujifunza mengi katika eneo zima la Afrika Mashariki.

KWA KUHITIMISHA

Kimtazamo tu, tuna imani kwamba huu utakuwa ni mwaka mzuri kwenye biashara zetu, ukilinganisha na changamoto zilizoshuhudiwa mwaka jana. Ukuaji wa eneo hili unatazamiwa kuonyesha mabadiliko ya kiuchumi, uwekezaji katika mali-asili na kuchanganua utajiri wa madini na hali kadhalika utekelezaji wa biashara nje na ndani ya mipaka yetu.

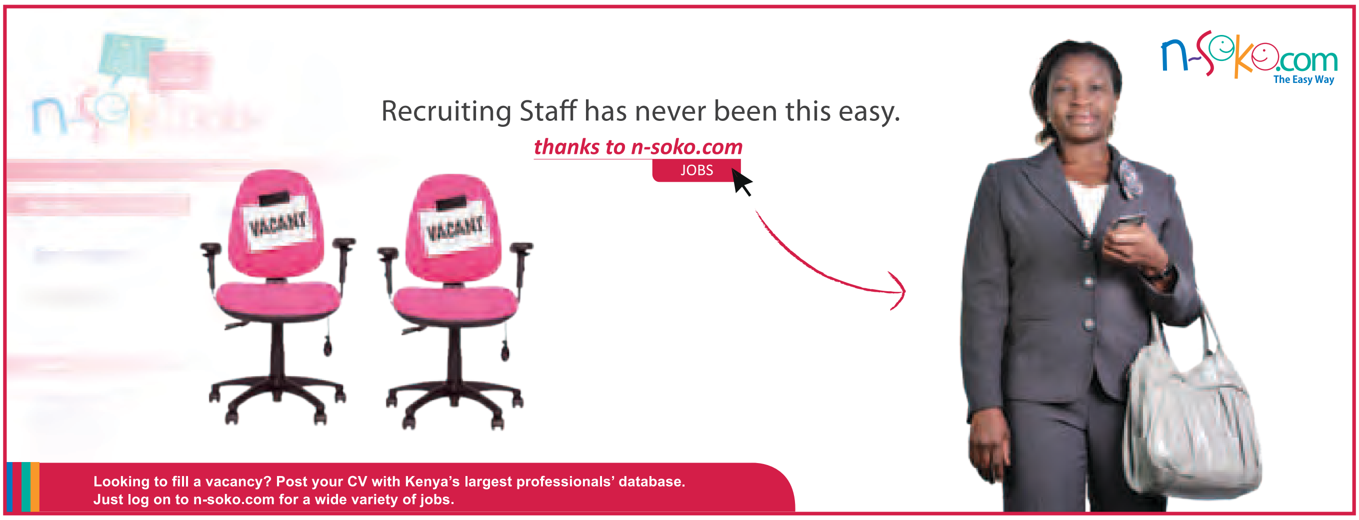
Ningependa kutoa shukrani zangu za dhati kwa Bodi ya Wakurugenzi Wakuu na pia kwa wafanyikazi wote, bila ya kuwasahau washikadau wetu kwa usaidizi wenu na kuhu tukitazamia kupata matokeo bora itakapofika mwaka ujao.

L. W. GITAHI
AFISA MKUU MTENDAJI WA KAMPUNI

Ili kuthibiti mapengo ya kimaarifa na uelewa wao, Shirika hili lilianzisha miradi mbali mbali ya kutoa mafunzo maalum, mfumo wa masomo ya mtandaoni yaani 'e-learning' kwa wafanyikazi wote ili kupevua fikra zao na kuwapa nafasi ya kujifunza mengi katika eneo zima la Afrika Mashariki.


n-soko.com
The Easy Way
I just bought this German machine !
thanks to n-soko.com
MOTORS
Shopping for a car? Check out Kenya's largest online car yard database. Just log on to n-soko.com for a wide variety cars.


n-soko.com
The Easy Way
Ulikuwa umesema unataka kaplot?
thanks to n-soko.com
PROPERTY
FOR SALE
Usiende mahali pengine ...
we ingia n-soko
Shopping for a house? Usigongwe na mabroka! Just log on to n-soko.com for a wide variety of properties to choose from.


n-soko.com
The Easy Way
Recruiting Staff has never been this easy.
thanks to n-soko.com
JOBS
VACANT
VACANT
Looking to fill a vacancy? Post your CV with Kenya's largest professionals' database.
Just log on to n-soko.com for a wide variety of jobs.

CORPORATE SOCIAL RESPONSIBILITY

In the year in review, the Group implemented our revamped social investment programme – Nation Life. This is in line with the Company's effort to allow for a greater involvement in projects with a large footprint and impact on a national stage.

Nation Life is the vehicle through which NMG's reputation and image leadership is being built in the region. The brand preposition seeks to demonstrate our commitment and connection to our corporate social responsibility and the community.

EDUCATION

NATION "GET ON THE BUS" EXCELLENCE PROGRAMME

Targeting the next generation of East African leaders, Nation Media Group launched the Nation 'Get on the Bus' Excellence and Mentorship Initiative. The programme is benefiting bright students from disadvantaged backgrounds in Kenya and is currently in its third year in Uganda. The scheme takes on a school bus icon to signify transition to excellence and enables top performers in the Kenya Certificate of Primary Education (KCPE) who cannot pay the requisite school fees an opportunity to further their education by offering them a full scholarship that caters for their four years of secondary school education. Currently, One hundred and thirty one students have benefited from the programme.

NEWSPAPERS IN EDUCATION

Newspapers in Education (NiE) is an international initiative that provides newspapers to schools for purposes of improving literacy and development of a reading culture. The programme instituted in Uganda and extended to Kenya, seeks to support education through the development of young readers. Currently, NiE is present in 15 counties in 4 regions of Kenya. Over 96,000 pupils in 240 schools are on the programme. NiE improves the quality of basic education through provision of affordable reading materials that transforms children into life-long learners. In 2011, Kenya Commercial Bank sponsored the NiE programme by donating Kshs. 5m towards the initiative.

HEALTH

NMG in collaboration with AMREF hosted a Health Action Day at the Deep Sea Slum in Nairobi's Westlands Division in October, taking health care to a community that has limited access to health services. The clinic attended to 710 residents of the slum who received curative services provided by students of AMREF's Virtual Nursing School and a team of doctors from the Ministry of Health with AMREF and NMG staff assisting. Liaising with the Kenya Women Finance Trust, NMG activated the Hakikisha Campaign that encouraged women across Kenya to seek for medical check-ups in October. The campaign is an initiative of NMG's Pink Project that primarily reaches out to urban and rural women to access check facilities and treatment for breast cancer. During the campaign more than 500 women were screened.

ENVIRONMENT

SAVE THE MAU TRUST

Four tree planting exercises were carried out in 2011 and involved staff and well-wishers from NMG, EABL, Equity Bank, Kenya Wildlife Services and the Green Belt Movement. More than 350,000 seedlings have been planted so far with a target of one million seedlings to be planted set for Phase I of the project. The initiative seeks to rehabilitate the Eburru Forest and the Mau Escarpment following the allocation by the Government of Kenya of 4,000 hectares of forest land to the Trust.

Through collaboration with AKDN & the Prince Sadruddin Aga Khan Fund for the Environment, the initiative received a boost of US$ 25,000 towards its programmes. The money will be used to purchase seedlings for the 2012 planting season.

NATIONAL FAMINE RELIEF CAMPAIGNS

NMG collaborated with several peer organizations to support the Kenya Red Cross Society in its efforts in alleviating the famine situation in Kenya. The campaign mooted and named UME-DOO? (What have you done) appealed to Kenyans to contribute towards sustainability and food security for long-term interventions towards water harvesting, robust agricultural activities and school feeding programmes in Turkana, Lamu, Marsabit and Samburu.

In September, the Group joined Safaricom and KCB to implement the largest famine relief effort by Kenya's corporate companies. Kenyans for Kenya was used to finance a raft of short and medium term interventions to alleviate the suffering of the most vulnerable groups and enhance food security in the long term.

CORPORATE SOCIAL RESPONSIBILITY
continued

KILICLIMB INITIATIVE

KILICLIMB: CHUKUA HATUA MALIZA NJAA

Nation Media Group staff scaled Mt. Kilimanjaro in an effort to raise money to alleviate hunger in the hardest hit areas in Kenya. Branded 'Chukua Hatua, Maliza Njaa', 38 staff members embarked on climbing Mt. Kilimanjaro in October after 8 weeks of training and simulated climbs of Mt. Longonot, Kilimambogo and Mt. Kenya. Over eight days the team trekked close to 150km around the mountain to the summit and back. 24 members of the team reached point Uhuru (5840 metres above sea level), the highest peak of the mountain and managed to raise a total of Kshs. 6.5 million.

NMG COMMUNITY ACTION WEEK

With the launch of the Nation Life: Our passion for Community last year, NMG has gone on to make a difference in the communities around. The annual community action week had activities cutting across the business in Kenya and Uganda.

Projects undertaken included: The NMG Kiliclimb, Team and Bureau CSR Activities, Tree Planting Tour, NMG/ AMREF Medical Camp in Athi River, Blood Drives, Breast Cancer Checks, Health Forums for Staff and a Charity Golf Tournament.

Through the Shilling for Shilling programme Kshs. 1.2 million was raised and deployed into various projects that included school feeding programmes, rehabilitation of schools in Nairobi, Tana River and Kampala, donations to children's homes among other activities.

GET ON THE BUS

COMMUNITY SPONSORSHIP

NMG through various charitable sponsorships and donations provided assistance for various projects across the country in 2011.

PROJECT	Kshs.
Kenya Society for the Blind	50,000.00
Lewa Wildlife Marathon	600,000.00
Centre for Biblical Transformation	100,000.00
Kenya Girl Guides Association	200,000.00
Kisauni & Faza fire tragedy victims	144,443.00
Leon Kimwele Foundation	75,602.00
Amagoro Lions	50,000.00
Standard Chartered Marathon	50,000.00
Heart to Heart Foundation-Goat Derby	100,000.00
Design Kenya Society	50,000.00
Aga Khan University	50,000.00
Kenya Open Golf Tournament	1,000,000.00
Kenya Women Holding	100,000.00
Kenya Association of Women in Tourism (KAWT)	50,000.00
AMREF	500,000.00
Mama Ngina Children's Home, Kisumu	72,410.00
Kenyans for Kenya	5,000,000.00
Standard Chartered Bank Partnership Walk & Run	144,618.50
Daystar University Alumni Dinner	427,600.00
TOTAL	8,764,673.50

The Nation Way

CULTURE TRANSFORMATION

We concluded the fourth corporate culture evaluation survey with the highest number of staff participation at 80%. The evaluation feedback confirmed that staff ownership of the top line behaviours was in line with our corporate values. The success of this programme has led to superior business performance.

To further uphold our values, the staff participated in a themed sports day that saw the incorporation of top line values.

With the success of the culture program in Kenya, we have now rolled it out to Uganda. Tanzania's inclusion is scheduled for 2012.

TALENT MANAGEMENT

Our talent reviews contribute to our succession plans, and facilitate for the required skills whilst providing staff with clear career paths. The process also guides the exit of those who do not fit in their job. Employees are categorised in terms of their expertise and contribution to the business. The talent review exercise is bearing fruit and is in line with global talent performance benchmarks.

360° DEGREES MANAGERS EVALUATION

30 senior managers went through a 360° feedback process where they received, feedback on teams, peers and managers perception of them. The process gave management a snapshot of the competencies and strengths of each manager and pointed to the skills required for excellence. Going forward, we will continue to improve leadership skills at individual, team and organizational level.

MEDIA LAB PROGRAM

The 9 month journalist trainee programme has successfully graduated 80 trainees (33 Kenya; 25 Uganda, 22 Tanzania) since its inception in 2008. These trainees have become accomplished journalists in the region, winning prestigious awards. This programme continues to address the emerging business needs. In 2011, we focused on business reporting within our media platforms.

SUB EDITOR'S SKILLS UPGRADE PROGRAMME

Further, we started the first 4 month Sub Editors Training Programme aimed at enhancing editorial skills. We graduated 13 Sub Editors drawn from Kenya, Uganda and Tanzania.

SPORTS DAY

MPL STAFF CELEBRATE AFTER CULTURE TRAINING

HUMAN RESOURCES
continued

INTERNATIONAL TRAINING AND WORK EXPOSURE

We believe in giving our staff good training and work exposure to benchmark our processes with world class organizations, in 2011, a number of senior managers attended various leadership programmes at Harvard, Oxford and Cambridge Universities and several senior editors went on specialised and practicle training at the Berlin Training Institute, while others went on international attachments at the Missuourian Newspaper through the Alfred Friendly Programme.

STRENGTHENING OUR SALES FORCE

We have strengthened our sales teams across the region, through rigorous sales training on key selling skills. We recently launched and graduated the first sales team cohort from the in-house 9 month Sales Academy at Monitor Publications and launched the programme at Mwananchi Communications in Tanzania. A sales mentorship program has also been introduced in Kenya to mentor new sales staff and enhance retention.

STAFF WELLNESS PROGRAM

In ensuring the health for our staff members, we held the annual one week wellness program where staff received health related talks on cancer detection and prevention, healthy eating habits, work life balance, alcohol/substance use and workplace ergonomics/ exercise and HIV and Aids. The staff had access to free health check-ups and medical health tests.

STAFF AWARDS AND RECOGNITION

Our staff members were recognised as leaders and winners in various fields. The awards included;

- COYA Awards – most consistent company, 1st company of the year runners-up, 1st runners-up CEO of the year awards
- Best Children Rights Media Award – in the Children's Rights Awards
- Children Mouth Piece and Health Awards – best print journalist
- Children Mouth Piece and Health Awards – human interest award
- Children Mouth Piece and Health Awards – best photographer
- Missouri Press Awards – Best News story
- Kenya Tourism Award (KETA) – Media Category

NMG VIRTUAL ACADEMY:

Our e-learning training programs uptake has improved with the availability of e-learning. The academy offers 700 courses covering various disciplines for the benefit of the Group.

We believe in giving our staff good training and work exposure to benchmark our processes with world class organizations. In 2011, a number of senior managers attended various leadership programmes at Harvard, Oxford and Cambridge Universities.

BOARD OF DIRECTORS
HALMASHAURI YA WAKURUGENZI

W D Kiboro
Chairman (Kenyan)
Mwenyekiti (Mkenya)

L W Gitahi
Chief Executive Officer/Managing Director (Kenyan)
Mrasimu mkuu/Msimamizi (Mkenya)

M J Aliker
(Ugandan) Retired 23 June 2011
(Muganda) Alijiuzulu 23 Juni 2011

D Aluanga
(Kenyan)
(Mkenya)

R Dowden
(British)
(Mwingereza)

S Gitagama
(Kenyan)
(Mkenya)

L Huebner
(American)
(Muamerikani)

J Lee
(British) Retired 23 June 2011
(Mwingereza) Alijiuzulu 23 Juni 2011

Y Jetha
(British)
(Mwingereza)

S Kagugube
(Ugandan) Appointed 22 September 2011
(Muganda) Aliteuliwa 22 Septemba 2011

O Mugenda
(Kenyan)
(Mkenya)

Z Muro
(Tanzanian)
(Mtanzania)

F O Okello
(Kenyan)
(Mkenya)

A Poonawala
(Swiss)
(Muswiss)

A Salkeld
(British) Appointed 17 December 2011
(Mwingereza) Aliteuliwa 17 Desemba 2011

G M Wilkinson
(Irish)
(Mwa-Irish)

J C Kinyua
Secretary (Katibu)

Nation Centre
Kimathi Street
P O Box 49010 00100
Nairobi
Registered Office (Afisi ilioandikishwa)

Kaplan & Stratton
George Williamson House
4th Ngong Avenue
Nairobi
Advocates (Wakili)

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

Standard Chartered Bank of Kenya Limited
Chiromo No. 48
Westlands Road
Nairobi
Bankers (Benki)

BOARD OF DIRECTORS' PROFILES

1

2

3

4

5

6

7

8


1 **MR. WILFRED KIBORO (67)** holds a Bachelor of Science (Civil Engineering) from the University of Nairobi. He retired from NMG 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 was elected the Chairman of the Board on 24th September 2009. He is a member of the Nominations Committee. Mr. Kiboro is the Chairman of Standard Chartered Bank Kenya Limited and Wilfay Investments Limited, a family owned enterprise.

2 **MR. LINUS GITAHI (49)** holds an MBA from the United States International University 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 as the Managing Director of Glaxosmithkline based in Nigeria. He is a director of the International Press Institute and 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. RICHARD DOWDEN (62)** holds a Bachelor of Arts (History) from London University (United Kingdom). 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. He joined *The Independent* in 1986 as the Africa Editor, moving to *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. Mr. Dowden has produced several television documentaries on Africa which have been aired on BBC and Channel 4 television stations in the UK and is the author of the book Africa: Altered States, Ordinary Miracles which was published in 2008. He joined the board in March 2010 and is a member of the Editorial and the Strategic Planning Committees.

4 **MR. STEPHEN GITAGAMA (45)** 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 and is a member of the Strategic Planning Committee.

5 **PROF. LEE HUEBNER (71)** holds a Ph.D and an MA from Harvard University and a BA from Northwestern University (USA) and is a Professor 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 the 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 is a member of the Nominations Committee.

6 **MRS. ZUHURA MURO (51)** holds a Bachelor of Arts and Social Sciences from the University of Dar es Salaam, Tanzania and a post graduate diploma in Human Resources. She was the head of Human Resources for Zain Tanzania Limited from 2001 until May 2007, when she resigned to pursue personal interests. She is the Chairwoman of Mwananchi Communications Limited and a director of Arusha Modern School and the Managing Director of Kazi Services Limited all based in Tanzania. Mrs. Muro joined the board in September 2010 and is a member of the Human Resources and Remuneration Committee.

7 **MR. FRANCIS OKOMO OKELLO (62)** 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 the Executive Director in charge 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 also TPS Eastern Africa Limited (Serena Group of hotels and lodges). Mr Okello is the Chairman of the Editorial Committee.

8 **MR. ANWAR POONAWALA (65)** holds a Master of Science (Industrial Engineering) and an MBA from the University of Iowa (USA). 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 is a member of the Finance and Audit, the Nominations and the Human Resources and Remuneration Committees.

BOARD OF DIRECTORS' PROFILES
continued

9 **MR. DENNIS ALUANGA (44)** 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. He was appointed to the board in March 2009. He is a Partner at Helios Investment Partners LLP, an Africa-focused private investment firm. He is a director of Equity Bank Limited and Property Development and Management Limited, an associate Company. Mr. Aluanga chairs the Finance and Audit Committee and is a member of the Editorial Committee.

10 **DR. YASMIN JETHA (59)** holds a Master of Science in Management Science from Imperial College (London) and a Bachelor of Science in Mathematics from London University (United Kingdom). 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 was made an honorary Fellow of the University of Bedforeshire (UK) in 2011. She is the Chief Information Officer at Bupa, a leading health service provider and was previously the Chief Operating Officer at the *Financial Times* (United Kingdom). Dr. Jetha joined the board in September 2009 and is the Chairman of the Human Resources and Remuneration Committee and a member of the Strategic Planning Committee.

11 **DR. SIMON KAGUGUBE (56)** holds a Doctorate of the Science of Law (JSD) International Humanitarian Immigration, Refugees and Asylum Law and a Masters of Laws in Corporation Law, Taxation and International Trade Systems, all from Yale University (USA) and a Bachelor of Laws from Makerere University (Uganda). He is an Advocate of the High Court of Uganda. He is the Executive Director of Centenary Rural Development Bank Limited in Uganda. He joined the Board on 22nd September 2011 and is the Chairman of the Board of Monitor Publications Limited in Uganda. Dr. Kagugube is a member of the Finance and Audit Committee.

12 **PROF. OLIVE MUGENDA (57)** holds a Ph.D and an M.Sc in Family Studies, Education, Consumer Sciences and Research Methods from Iowa State University (USA), an MBA from the Eastern and Southern Africa Management Institute and a B.Ed from the University of Nairobi. She has been the Vice-Chancellor of Kenyatta Univerisity since 2006, where she has held various senior lecturing positions since 1984. Prof. Mugenda joined the board in September 2010 and is a member of the Editorial and the Human Resources and Remuneration Committees.

13 **MR. ADAM SALKELD (47)** holds an MA (Cantab) from Cambridge University (UK) and a post graduate diploma in Journalism from Cardiff University (UK). He is the Head of Programmes at Tinapolis, one of the leading independent television production companies in the UK and has wide experience in production and management in television, radio, new media and communications and worked for the BBC for twelve years. Mr. Salkeld was appointed to the Board on 17th December 2011 and is a member of the Strategic Planning Committee.

14 **MR. GERARD WILKINSON (68)** holds a MEcon. Sc and MS and a BA, from Ireland and the United States of America. He lectured at the School of Business University College, Dublin, Ireland. He has served as a senior executive at Independent Newspapers, in Dublin, the Managing Director, Nation Newspapers in Kenya 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 is a member of the Strategic Planning Committee.

15 **MR. JAMES KINYUA (48)** (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 K) and a member of the Institute of Directors (Kenya). He is an alumni of the Cambridge University Advanced Leadership Programme. He was appointed the Company Secretary in July 1998 and is the head of 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 2011, 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, Rwanda and Tanzania.

GROUP RESULTS

The results of the Group for the year are set out in the Group statement of comprehensive income on page 39.

DIVIDENDS

The directors recommend the payment of a final dividend of Kshs. 6.50 per share (260%) on the issued share capital at 31 December 2011, which together with the interim dividend of Kshs. 1.50 per share (60%) paid on 30 September 2011, makes a total of Kshs. 8.00 per share (320%) in respect of the year ended 31 December 2011 (2010: Kshs. 8.00 including a special dividend of Kshs. 2.50 per share) (320%).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 30 and 31.

Dr. S. Kagugube was appointed to the Board on 22nd September 2011 and Mr. A. Salkeld was appointed to the Board on 17th December 2011and both retire as directors in accordance with Article 96 of the Company's Articles of Association and being eligible, offer themselves for election.

Mr. D. Aluanga, Mr. A. Poonawala and Mr. G. Wilkinson 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.

Prof. L. Huebner is 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 notwithstanding that fact, be re-elected as a director of the Company for a further period of one year.

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.

CORPORATE GOVERNANCE

Nation Media Group Limited is in compliance with the Capital Markets Authority Corporate Governance Guidelines. Over one third of the Board are independent and non-executive directors. The membership of the various board committees is listed on page 6.

BY ORDER OF THE BOARD
J C KINYUA
SECRETARY
14 MARCH 2012

Wakurugenzi wana furaha kuwasilisha ripoti yao na taarifa za kifedha zilizokaguliwa kwa mwaka uliokamilika Desemba 31, 2011, zinazoonyesha hali ilivyo katika Nation Media Group Limited (Kampuni) na matawi yake (pamoja Kundi).

SHUGHULI KUU

Shughuli kuu ni utengezaji, uchapishaji na usambazaji wa magazeti na majarida, na utangazaji kupitia redio na televisheni, katika mataifa ya Afrika Mashariki ya Kenya, Uganda, Rwanda na Tanzania.

MATOKEO YA KUNDI

Matokeo ya Kundi kwa mwaka yanapatikana chini ya kichwa Taarifa ya Kundi ya mapato ya Jumla ukurasa wa 39.

MGAO WA FAIDA

Wakurugenzi wanapendekeza malipo yamwisho ya mgao wa faida wa Shilingi 6.50 kwa kila hisa (asilimia 260) kwa hisa zilizotolewa kufikia Desemba 31, 2011, ambazo pamoja na mgao wa muda wa faida wa Shilingi 1.50 kwa kila hisa (asilimia 60) uliolipwa mnamo Septemba 30, 2011, inafanya jumla ya Shilingi 8.00 kwa kila hisa (asilimia 320) kwa mwaka uliokamilika Desemba 31, 2011 (2010: Shilingi 8.00 ikijumuisha mgao wa faida spesheli wa Shilingi 2.50 kwa kila hisa) (asilimia 320).

WAKURUGENZI

Wakurugenzi walioshikilia nyadhifa wakati wa mwaka huo hadi leo wanaohusika na ripoti hii wametajwa kwenye ukurasa wa 30 na 31.

Dkt S. Kagugube aliyeteuliwa kuwa mkurugenzi mnamo Septemba 22, 2011 na Bw A. Salkeld, aliyeteuliwa kuwa mkurugenzi mnamo Desemba 17, 2011, kwa mujibu wa kifungu cha 96 cha Sheria za Kiushirika za Kampuni, wanastaafu na kwa kuwa wanaruhusiwa, wanajiwasilisha kwa uchaguzi kama wakurugenzi.

Bw D. Aluanga, Bw A. Poonawala na Bw G. Wilkinson, ni wakurugenzi wanaostaafu kwa zamu kwa mujibu wa kifungu cha 110 cha Sheria za Kiushirika za kampuni, na kwa kuwa wana fursa ya kuwania tena, wangependa kuteuliwa tena kuwa wakurugenzi.

Prof. L Huebner ni mkurugenzi anayestaafu kuambatana na Kifungu cha 101cha Sheria za Kiushirika za Kampuni na ambaye ana umri wa zaidi ya miaka 70, bila kuzingatia umri wake, atachaguliwa tena kuwa mkurugenzi wa Kampuni kwa kipindi kingine cha mwaka mmoja.

MKAGUZI WA HESABU

Mkaguzi wa Hesabu wa Kampuni, PricewaterhouseCoopers ameeleza nia ya kutaka kuendelea kuhudumu kwa mujibu wa Kifungu cha 159(2) cha Sheria za Kampuni (Cap 486) Sheria za Kenya.

KANUNI ZA USIMAMIZI

Nation Media Group Limited inazingatia mwongozo wa usimamizi uliotolewa na Soko la Hissa (Capital Markets Authority Corporate Governance Guidelines). Zaidi ya thuluthi moja ya Wakurugenzi wa Halmashauri ni wa kujitegemea na wasiokuwa waajiriwa. Wanachama wa kamati mbali mbali za halmashauri umeorodheshwa kwenue ukurasa wa 6.

KWA IDHINI YA HALMASHAURI
J C KINYUA
KATIBU
14 MACHI 2012

EXECUTIVE TEAM PROFILES

MR LINUS GITAHI, 49, is the Group Chief Executive Officer and joined the Company in October 2006. He holds an MBA from the United States International University and a Bachelor of Commerce (Accounting) from the University of Nairobi. He previously worked as the Managing Director with Glaxosmithkline based in Nigeria. He is a director of the International Press Institute and the Group's subsidiary companies and Property Development and Management Limited, an associate company.

MR THOMAS MSHINDI, 50, is the Managing Director of the Nation Newspapers Division. He holds an MA (International Affairs) from the Columbia University (USA), BA (Political Science) and a postgraduate diploma in Mass Communication from the University of Nairobi. He is a media and communications expert who has trained and worked as a journalist with the Group from 1986 to 1999, a development communications specialist for the UN, and rejoined the Company in June 2007 as the Managing Director of MPL in Uganda prior to his current position which he has held since August 2009.

MR STEPHEN GITAGAMA, 45, is the Group Finance Director and joined the Company in September 2007. He holds an MBA and a Bachelor of Commerce (Accounting) from the University of Nairobi and is a Certified Public Accountant of Kenya. He previously worked as a Finance Director with East African Breweries Limited. Mr. Gitagama is a director of the Group's subsidiary companies.

MR IAN FERNANDES, 44, is the Managing Director of the Nation Digital Division. He holds a BSc. (Electronic Engineering) from the University of Nairobi. He joined NMG in 2005 having previously served as the Technical & Production Director at the Standard Group and as the Managing Director of KTN. He was previously the Managing Director of the Nation Broadcasting Division.

MS MWIKALI MUTHIANI, 46, joined the Group in April 2008 as the Group Human Resources Director from Glaxosmithkline where she held a similar position. 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 director of Amnesty International and Faulu Kenya.

MR SAM SHOLLEI, 51, is the Group Business Development Director, and was previously the Managing Director, Mwananchi Communications Ltd, the subsidiary in Tanzania. He holds an MBA and BCom (Accounting) from the University of Nairobi and is a Certified Public Accountant. He joined the Group in 1998 and previously headed the Business Development function. He has also served as the General Manager, Monitor Publications in Uganda.

MR JOSEPH ODINDO, 52, was appointed Editorial Director in August 2009. He holds an MA in journalism from the University of Wales, College of Cardiff (United Kingdom) and a B.Ed. from the University of Nairobi. He is an alumni of Harvard's GMP programme and a Press Fellow of Wolfson College, Cambridge. He was the first editor of *The EastAfrican* at its launch in 1994 rising to the position of Managing Editor, *Daily Nation*, and Group Managing Editor.

EXECUTIVE TEAM PROFILES
continued

MRS. ANN GITAO-KINYUA, 36, is the Group Marketing Director. She holds a BCom (Marketing) from Catholic University and is currently studying for an MBA at Henley Business School – University of Reading, UK. She joined the Group in May 2008 as Head of Marketing, Nation Broadcasting Division. She has more than 10 years executive experience in mining consumer insights, shaping strong brand positioning strategies and crafting successful communication strategies for the foods, banking, airlines, social marketing, media and alcoholic beverages sectors.

MR VICTOR NGEI, 45, is the Managing Director, Television, in charge of *NTV* and *eAfrica*. He holds a Bachelor of Education (Business) from Kenyatta University and is an alumni of Harvard's GMP programme. He joined the Group in 1995 as a Sales Supervisor. He served as the Advertising Manager at Monitor Publications, before moving to *NTV* Uganda as General Manager at its inception and subsequently to *NTV* in Nairobi. He oversees the *NTV* and *eAfrica* television stations.

MR GABRIEL CHEGE, 38, is the Group IT Director having joined the Company in 2000. He holds a Bachelor of Science in Management of Information Systems (MIS) from the United States International University and is currently pursuing 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. He previously worked for PricewaterhouseCoopers Limited.

MR JAMES KINYUA, 48, was appointed the Group Company Secretary in July 1998. He 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 (CPSK) and a member of the Institute of Directors (Kenya). He is an alumni of the Cambridge University Advanced Leadership Programme. He worked as an Advocate with leading law firms in private practice before joining the Group in December 1997. He heads the Legal and Administration department and is a director of the Group's subsidiary companies.

MR ALEX ASIIMWE, 40 - is the Managing Director, Monitor Publishing Limited in Uganda. He joined the Group in 2001 as Advertising Manager at Monitor Publications Limited. He was later promoted to General Manager before he was seconded to the head office in 2009 as a Commercial Manager. He returned to Uganda in October 2011 as General Manager, Commercial and was appointed Managing Director in January 2012. He holds a Bachelor's degree in Commerce and is finalising a Master's in Business Administration in Marketing at Makerere University's Business School.

MR MICHAEL NGUGI, 47, has been the Group Advertising Director since January 2009. He Holds a BSc. degree from Jacksonville University, Florida, USA and is also a Harvard Business School, General Management Program Alumni. He has 15 years experience in sales and general management in the telecommunications, FMCG and petroleum sectors. He has previously held senior positions within the advertising and circulation functions in the Group.

MR PHILIP VELESE, 41 - Country Manager, Rwanda. He joined NMG in 1998 as a Sales Representative and has served as regional circulation manager, Head of Nation Carriers division, and most recently as Commercial Manager for *The East African.* He holds a Bachelor of Arts degree from Kenyatta University and is currently pursuing an MBA in Marketing at the University of Nairobi. He holds a diploma in Business Management from KIM and is a Member of Kenya Institute of Management (MKIM).

EXECUTIVE TEAM PROFILES
continued

MR AGASTEE KHANTE, 32 - General Manager, Digital. Joined NMG in June 2010. He holds a Masters Degree in Finance and Strategic Human Resources Management from the Oxford Brookes University (UK) and an Engineering Degree, from RVCE, Bangalore (India). He has over 8 years' experience of Digital Marketing and Product Management having previously worked in the digital divisions at Yahoo Jagran, Financial Times and The Times of India.

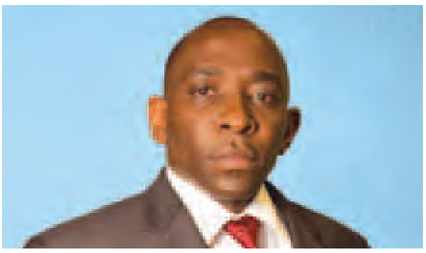
MR JAPHET MUCHEKE, 44, is the Group Financial Controller. He holds a BCom (Accounting) from the University of Nairobi and is a Certified Public Accountant of Kenya and a Certified SAP Consultant. He joined the Group in 1997 as an Auditor. He has since worked as the Group Chief Accountant and Group Internal Audit Manager. He previously worked for Deloitte & Touche.

MR GIDEON ASWANI, 44 - Group Head of Production. He holds an MBA in Finance from the University of Leicester and a BSC in Mechanical Engineer. He joined NMG as a mechanical engineer in 1995 having previously worked for Thomas De La Rue (K) Ltd. and The East African Breweries Ltd. He is the Chairman of the Kenya Association of Manufacturers, Athi River Chapter.

MR GEORGE RIOBA, 38, joined the Group in October 2008 as the Head of Internal Audit. He holds an MBA (Finance) from the University of Nairobi and a BA (Mathematics and Economics) from Egerton University. He is a Certified Public Accountant of Kenya and a Certified Internal Auditor. He has worked for several leading financial institutions.

MRS ELIZABETH KYENGO, 43 - General Manager, Group Procurement. She holds a BCom (Accounting Option) degree from Kenyatta University, and is a Certified Public Accountant of Kenya (CPAK), Certified International Procurement Professional and a Member of IAPM (International Academy of Project Management) and a Member of KISM. She is finalizing a MBA degree in Strategic Management at Nairobi University. She joined the Group in April 1995 from Coopers and Lybrand where she worked as an Auditor. She has held various positions within the Group including, Management Accountant NCD and NBD, Procurement Manager before taking up her current role.

MR SAM MUTETEI, 46 - General Manager, Sales & Distribution. He took up his current role in September 2009 from the Standard Group, having initially joined NMG in 1992. He has over 16 years hands on experience in sales and distribution and has initiated changes in the Distribution Value Chain. He has benefitted from international exposure in distribution and logistics in Europe and in the US. He is a Political Science graduate from the University of Nairobi, and holds a Higher Diploma in Business Management from KIM and a MBA in Strategic Management from Moi University.



MR CHARLES MAYE, 41, is the General Manager Radio Operations. He previously worked with Celtel Ghana and Malawi, as Marketing Director, Diageo UK & Nigeria, as Innovations Manager and Diageo Kenya as Brand Manager. He holds an undergraduate degree from Moi University and is an alumni of the London Business School's Advanced Management Programme.

MR DAVID MAINGI, 39, joined the Group in September 2009 as the Group Head of Corporate Affairs, from the Kenya Film Commission, where he was the Chief Executive Officer/Managing Director. He holds a Postgraduate Diploma in Business Administration and a MA Mass Communications from the University of Leicester, UK. He is a fully qualified member of the Chartered Institute of Public Relations (CIPR), UK and has undergraduate and professional qualifications in Public Relations and Communications Design.

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 and its subsidiaries keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and its subsidiaries. They are also responsible for safeguarding the assets of the Company and its subsidiaries.

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 Group and of the Company and of the Group's profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as designing, implementing and 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

14 MARCH 2012

REPORT OF THE INDEPENDENT AUDITOR
to the members of Nation Media Group Limited

REPORT ON THE FINANCIAL STATEMENTS
We have audited the accompanying financial statements of Nation Media Group Limited (the Company) and its subsidiaries (together, the Group) set out on pages 39 to 75. These financial statements comprise the consolidated statement of financial position at 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and a consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2011 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 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 entity'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 as at 31 December 2011 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 statement of financial position is in agreement with the books of account.

pwc

CERTIFIED PUBLIC ACCOUNTANTS
14 MARCH 2012

NAIROBI

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

	Note	2011 Kshs m	2010 Kshs m
Revenue	5	11,245.8	9,602.5
Cost of sales		(2,861.0)	(2,056.5)
Gross profit		8,384.8	7,546.0
Other income	8(a)	152.5	86.8
Distribution costs		(313.5)	(273.1)
Administrative expenses		(879.4)	(942.3)
Other expenses		(4,633.6)	(4,310.5)
Finance costs	8(b)	(12.7)	(1.7)
Share of profit after income tax of associate	18	112.2	41.4
Operating profit	**6**	**2,810.3**	**2,146.6**
Income tax expense	9	(803.5)	(608.2)
Profit for the year (of which Shs 1,785.8 million (2010: Shs 1,448.6 million) has been dealt within the accounts of the Company)		**2,006.8**	**1,538.4**
Other comprehensive income:			
Currency translation differences		(21.8)	(58.7)
Share of other comprehensive income from associate	18	(27.7)	34.8
Total comprehensive income for the year		**1,957.3**	**1,514.5**
Attributable to:			
Equity holders of the company		1,949.3	1,519.8
Non-controlling interest		8.0	(5.3)
		1,957.3	1,514.5
Basic and diluted earnings per share (Shs)	10	12.7	9.8

STATEMENT OF FINANCIAL POSITION
as at 31 December

		Group		Company	
	Note	2011	2010	2011	2010
		Kshs m	Kshs m	Kshs m	Kshs m
CAPITAL EMPLOYED					
Capital and reserves attributable to equity holders					
Share capital	11	392.8	392.8	392.8	392.8
Other reserves	12	8.2	29.7	70.2	71.8
Retained earnings		4,630.2	3,916.4	4,320.7	3,790.3
Proposed dividends	24	1,021.3	1,021.3	1,021.3	1,021.3
		6,052.5	5,360.2	5,805.0	5,276.2
Non-controlling interest		69.9	61.9	-	-
Total equity		**6,122.4**	**5,422.1**	**5,805.0**	**5,276.2**
Non-current liabilities					
Long-term borrowings	13	118.5	-	-	-
Deferred income tax liabilities	14	44.5	-	44.5	-
		163.0	-	44.5	-
Total equity and non-current liabilities		**6,285.4**	**5,422.1**	**5,849.5**	**5,276.2**
Non-current assets					
Property, plant and equipment	15	1,945.3	1,893.3	1,246.7	1,298.9
Intangible assets	16	288.5	319.4	98.5	128.0
Prepaid operating lease rentals	17	85.0	86.8	48.7	49.3
Investment in associate	18	608.6	529.6	94.6	94.6
Investment in subsidiaries	19	-	-	1,075.4	1,067.2
Deferred income tax assets	14	33.8	69.3	-	15.7
		2,961.2	**2,898.4**	**2,563.9**	**2,653.7**
Current assets					
Inventories	20	1,034.3	676.3	786.7	535.0
Receivables and prepayments	21	1,928.7	1,797.3	1,758.3	1,789.9
Cash and cash equivalents	22	2,744.7	2,603.2	2,598.2	2,439.9
Current income tax		147.4	-	135.8	-
		5,855.1	5,076.8	5,279.0	4,764.8
Current liabilities					
Payables and accrued expenses	23	2,502.4	2,449.2	1,993.4	2,056.6
Borrowings	13	28.5	21.3	-	-
Current income tax		-	82.6	-	85.7
		2,530.9	2,553.1	1,993.4	2,142.3
Net current assets		**3,324.2**	**2,523.7**	**3,285.6**	**2,622.5**
Net assets less current liabilities		**6,285.4**	**5,422.1**	**5,849.5**	**5,276.2**

The financial statements on pages 39 to 75 were approved for issue by the board of directors on 14 March, 2012 and signed on its behalf by:

W. D. KIBORO

S. GITAGAMA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

		Attributable to equity holders of the company				Non-controlling interest	Total Equity
	Note	Share capital	Other reserves	Retained earnings	Proposed dividends		
		Kshs m	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m
Year ended 31 December 2010							
At start of year		356.5	82.3	3,637.3	570.4	67.2	4,713.7
Total comprehensive income							
Profit for the year		-	-	1,536.0	-	2.4	1,538.4
Other comprehensive income							
Transfer of excess depreciation		-	(2.3)	2.3	-	-	-
Deferred tax transfer		-	0.7	(0.7)	-	-	-
		-	(1.6)	1.6	-	-	-
Currency translation differences		-	(51.0)	-	-	(7.7)	(58.7)
Share of other comprehensive income in associate	18	-	-	34.8	-	-	34.8
		-	(51.0)	34.8	-	(7.7)	(23.9)
Total other comprehensive income		-	(52.6)	36.4	-	(7.7)	(23.9)
Total comprehensive income for the year		-	(52.6)	1,572.4	-	(5.3)	1,514.5
Transaction with owners							
Bonus shares issue:							
To existing shareholders		35.7	-	(35.7)	-	-	-
To staff		0.6	-	(0.6)	-	-	-
	11	36.3	-	(36.3)	-	-	-
Distributions to owners:							
Dividends:							
The Company:							
- final for 2009 paid		-	-	-	(570.4)	-	(570.4)
- interim for 2010 paid	24	-	-	(235.7)	-	-	(235.7)
- proposed final for 2010	24	-	-	(628.5)	628.5	-	-
- proposed special for 2010	24	-	-	(392.8)	392.8	-	-
Total transaction with owners		36.3	-	(1,293.3)	450.9	-	(806.1)
At end of year		392.8	29.7	3,916.4	1,021.3	61.9	5,422.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December (continued)

		Attributable to equity holders of the company				Non-controlling interest	Total equity
	Note	Share capital	Other reserves	Retained Earnings	Proposed dividends		
		Kshs m	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m
Year ended 31 December 2011							
At start of year		392.8	29.7	3,916.4	1,021.3	61.9	5,422.1
Total comprehensive income							
Profit for the year		-	-	1,996.9	-	9.9	2,006.8
Other comprehensive income							
Transfer of excess depreciation		-	(2.3)	2.3	-	-	-
Deferred tax transfer		-	0.7	(0.7)	-	-	-
		-	(1.6)	1.6	-	-	-
Currency translation differences		-	(19.9)	-	-	(1.9)	(21.8)
Share of other comprehensive loss in associate	18	-	-	(27.7)	-	-	(27.7)
Total other comprehensive income		-	(19.9)	(27.7)	-	(1.9)	(49.5)
Total other comprehensive income		-	(21.5)	(26.1)	-	(1.9)	(49.5)
Total comprehensive income for the year		-	(21.5)	1,970.8	-	8.0	1,957.3
Distribution to owners							
Dividends:							
The Company:							
- special for 2010 paid	24	-	-	-	(392.8)	-	(392.8)
- final for 2010 paid	24	-	-	-	(628.5)	-	(628.5)
- interim for 2011 paid	24	-	-	(235.7)	-	-	(235.7)
- proposed final for 2011	24	-	-	(1,021.3)	1,021.3	-	-
Total distribution with owners		-	-	(1,257.0)	-	-	(1,257.0)
At end of year		392.8	8.2	4,630.2	1,021.3	69.9	6,122.4

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December

	Note	Share capital Kshs m	Other reserves Kshs m	Retained earnings Kshs m	Proposed dividends Kshs m	Total Kshs m
Year ended 31 December 2010						
At start of year		356.5	73.4	3,633.4	570.4	4,633.7
Total comprehensive income						
Profit for the year		-	-	1,448.6	-	1,448.6
Other comprehensive income						
Revaluation gain		-	(2.3)	2.3	-	-
Deferred tax on transfer		-	0.7	(0.7)	-	-
		-	(1.6)	1.6	-	-
Total comprehensive income for the year		-	(1.6)	1,450.2	-	1,448.6
Transaction with owners						
Bonus issue						
To existing shareholders		35.7	-	(35.7)	-	-
To staff		0.6	-	(0.6)	-	-
	11	36.3	-	(36.3)	-	-
Distribution to owners						
Dividends:						
- final for 2009 paid		-	-	-	(570.4)	(570.4)
- interim for 2010 paid	24	-	-	(235.7)	-	(235.7)
- proposed final for 2010	24	-	-	(628.5)	628.5	-
- proposed special for 2010	24	-	-	(392.8)	392.8	-
Total distribution to owners		36.3	-	(1,293.3)	450.9	(806.1)
At end of year		392.8	71.8	3,790.3	1,021.3	5,276.2
Year ended 31 December 2011						
At start of year		392.8	71.8	3,790.3	1,021.3	5,276.2
Total comprehensive income						
Profit for the year		-	-	1,785.8	-	1,785.8
Other comprehensive income:						
Revaluation gain		-	(2.3)	2.3	-	-
Deferred tax on revaluation		-	0.7	(0.7)	-	-
		-	(1.6)	1.6	-	-
Total comprehensive income for the year		-	(1.6)	1,787.4	-	1,785.8
Distribution to owners:						
Dividends:						
- special for 2010 paid	24	-	-	-	(392.8)	(392.8)
- final for 2010 paid	24	-	-	-	(628.5)	(628.5)
- interim for 2011 paid	24	-	-	(235.7)	-	(235.7)
- proposed final for 2011	24	-	-	(1,021.3)	1,021.3	-
Total distribution to owners		-	-	(1,257.0)	-	(1,257.0)
At end of year		392.8	70.2	4,320.7	1,021.3	5,805.0

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December

	Note	2011	2010
		Kshs m	Kshs m
Operating activities			
Cash generated from operations	26	2,529.3	2,904.0
Interest received	8 (a)	152.5	86.8
Interest paid	8 (b)	(12.7)	(1.7)
Tax paid		(955.2)	(539.9)
Net cash from operating activities		1,713.9	2,449.2
Investing activities			
Purchase of property, plant and equipment	15	(446.0)	(452.4)
Purchase of intangible assets	16	(10.9)	(15.2)
Proceeds from sale of property, plant and equipment		16.2	11.3
Dividends received from associate	18	5.5	5.5
Net cash used in investing activities		(435.2)	(450.8)
Financing activities			
Net proceeds from borrowings		169.4	-
Repayment of borrowings		(43.7)	(61.4)
Dividends paid		(1,257.0)	(806.1)
Dividends paid to non-controlling interest by subsidiary		-	(1.6)
Net cash used in financing activities		(1,131.3)	(869.1)
Net increase in cash and cash equivalents		147.4	1,129.3
Movement in cash and cash equivalents			
At start of year		2,603.2	1,473.5
Increase		147.4	1,129.3
Translation of net investment in foreign subsidiaries		(5.9)	0.4
At end of year	22	2,744.7	2,603.2

NOTES TO THE FINANCIAL STATEMENTS

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, Kampala, Dar es Salaam and Kigali Stock Exchanges.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income, in these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets and derivative instruments at fair value through profit or loss. The financial statements are presented in Kenyan Shillings (Kshs), 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 management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(I) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2011.

Standard	Title
IAS 1	Presentation of financial statements
IAS 24	Related party disclosures
IFRS 7	Financial instruments: Disclosures

The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Group and Company was already disclosing the analysis of other comprehensive income on its statement of changes in equity.

The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. Related party disclosures have increased following adoption of this amendment. This amendment does not have any impact on the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following;

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Group and Company.

Other amendments and interpretations to standards became mandatory for the year beginning 1 January 2011 but had no significant effect on the Group's financial statements.

(II) STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Group and Company.

Standard	Title	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements	1 July 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

• IAS 1, PRESENTATION OF FINANCIAL STATEMENTS

The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

• IFRS 10, 'CONSOLIDATED FINANCIAL STATEMENTS'

This is a new standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

The revised definition of control focuses on the need to have both power and variable returns before control is present. The Group and Company is yet to assess IFRS 10s full impact.

• IFRS 12, 'DISCLOSURE OF INTERESTS IN OTHER ENTITIES'

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including interests in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles. The Group is yet to assess IFRS 12s full impact.

NOTES TO THE FINANCIAL STATEMENTS
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 13, 'FAIR VALUE MEASUREMENT'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group is yet to assess IFRS 13s full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

(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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

NOTES TO THE FINANCIAL STATEMENTS
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(II) CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(III) DISPOSAL OF SUBSIDIARIES

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss

(IV) 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. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

Dilution gains and losses arising from investments in associates are recognised in profit or loss.

(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 statement of comprehensive income during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 statement of financial position date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 (CODM). The Executive Management team, who is responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive management team that implements strategic decisions.

All transactions between business segments are conducted on an arm length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses associated with each segment as included in determining business segment performance.

(E) REVENUE RECOGNITION

Revenue comprises 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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Group 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 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statement of comprehensive income.

(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 statement of comprehensive income on a straight-line basis over the period of the lease. Leases of land that are for a period of 99 years and below are classified as operating leases.

(I) CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from 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. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(J) INTANGIBLE ASSETS

(I) GOODWILL

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

NOTES TO THE FINANCIAL STATEMENTS
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. Transmision frequencies are tested annually for impairment and carried at cost less accumulated impairment 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 employees the benefits relating to employee service in current and prior periods. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Company and employees.

The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Company's contribution to the defined contribution schemes are charged to the statement of comprehensive income 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 statement of financial position 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 'Kenyan Shillings (Shs), which is the Company's functional currency.

(II) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 statement of comprehensive income.

All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses' - net.

(III) GROUP COMPANIES

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:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each income statement amount 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

(iii) All resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed off or sold, exchange differences that are recorded in equity are recognised in the statement of comprehensive income 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 statement of financial position.

(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 statement of comprehensive income 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 statement of financial position date.

(T) PROVISIONS
Provisions for legal claims are recognized 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 recognized 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 recognized 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 an 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

IMPAIRMENT OF GOODWILL
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 16.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT
The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected product lifecycles for its high-tech segment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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; and
- whether assets are impaired.

4 FINANCIAL RISK MANAGEMENT
The Group and Company's activity expose it to a variety of financial risks, market risk (including foreign exchange risks fair value interest rate risk, cash flow interest risk and price risk), credit 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 and company 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 and company 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 2011 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.

NOTES TO THE FINANCIAL STATEMENTS
continued

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2011, 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.

For banks and financial institutions, only reputable well established financial institutions are accepted. For trade receivables, the credit controllers assess the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

All receivables that are neither past due or 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	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Past due but not impaired				
- by 31 to 60 days	701.6	658.9	560.3	529.6
- by 61 to 90 days	600.7	528.8	364.4	345.5
Total past due but not impaired	1,302.3	1,187.7	924.7	875.1
Impaired	1,158.8	1,020.6	752.1	656.8

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

NOTES TO THE FINANCIAL STATEMENTS
continued

(C) LIQUIDITY RISK

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, 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 and the Company's financial liabilities that will be settled on a net basis into the relevant maturity groupings based on the remaining period at the statement of financial position 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	Between 1 and 2 years	Between 2 and 5 years	Total
	Kshs m	Kshs m	Kshs m	Kshs m
Group				
At December 2011				
Liabilities				
- borrowings	28.5	52.5	122.0	203.0
- trade and other payables	2,502.4	-	-	2,502.4
Total financial liabilities	2,530.9	52.5	122.0	2,705.4

NOTES TO THE FINANCIAL STATEMENTS
continued

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Group (continued)	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Total
Assets	Kshs m	Kshs m	Kshs m	Kshs m
- cash and bank balances	2,744.7	-	-	2,744.7
- trade receivables and prepayments	1,928.7		-	1,928.7
Total financial Assets	**4,673.4**	**-**	**-**	**4,673.4**
At December 2010				
Liabilities				
- borrowings	21.3	-		21.3
- trade and other payables	2,449.2	-	-	2,449.2
Total financial liabilities	**2,470.5**	**-**	**-**	**2,470.5**
Assets				
- cash and bank balances	2,603.2	-	-	2,603.2
- trade receivables and prepayments	1,797.3		-	1,797.3
Total financial Assets	**4,400.5**	**-**	**-**	**4,400.5**
Company				
At December 2011				
Liabilities				
- trade and other payables	1,993.4	-	-	1,993.4
Total financial liabilities	**1,993.4**	**-**	**-**	**1,993.4**
Assets				
- cash and bank balances	2,598.2	-		2,598.2
- amount due from Group Companies	324.0	-	-	324.0
- trade receivables and prepayments	1,434.3	-	-	1,434.3
Total financial Assets	**4,356.5**	**-**	**-**	**4,356.5**
At December 2010				
Liabilities				
- trade and other payables	2,056.6	-	-	2,056.6
Total financial liabilities	**2,056.6**	**-**	**-**	**2,056.6**
Assets				
- cash and bank balances	2,439.9	-	-	2,439.9
- amount due from Group Companies	383.4	-	-	383.4
- trade receivables and prepayments	1,406.5	-	-	1,406.5
Total financial Assets	**4,229.8**	**-**	**-**	**4,229.8**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CAPITAL RISK MANAGEMENT

The Group and Company's objectives when managing capital are to safeguard the Group and Company's ability to continue as a 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 and Company 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 and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt as shown below:

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Total borrowings	147.0	21.3	-	-
Less: cash and cash equivalents	(2,744.7)	(2,603.2)	(2,598.2)	(2,439.9)
Net debt	(2,597.7)	(2,581.9)	(2,598.2)	(2,439.9)
Total equity	6,122.4	5,422.1	5,805.0	5,276.2
Total capital	3,524.7	2,840.2	3,206.8	2,836.3

As the cash balances held by the Group are in excess of the borrowings, computation of the gearing ratios would be inappropriate.

(E) FAIR VALUE ESTIMATION

The Group and Company do not have any assets or liabilities subject to fair value estimation.

5 SEGMENTAL REPORTING

Management has determined the operating segments based on the reports reviewed by the Executive Management Team that are used to make strategic decisions.

The Group considers the business from a product perspective; Newspapers & Magazines and Broadcasting.

The Executive Management team considers the East African countries in which the Group operates as one geographical segment because of similarities in the risks and returns in the three countries.

Other Group operations mainly comprise courier and third party printing services and digital operations. Neither of these constitute a separately reportable segment and have therefore been included as part of Newspapers & Magazines.

NOTES TO THE FINANCIAL STATEMENTS
continued

5 SEGMENTAL REPORTING (CONTINUED)

	Newspapers & Magazines		Broadcasting		Group	
	2011	2010	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m
Sales	9,690.6	8,314.4	1,555.2	1,288.1	11,245.8	9,602.5
Allocated costs	(6,859.0)	(5,954.7)	(1,412.5)	(1,182.1)	(8,271.5)	(7,136.8)
Segment results	2,831.6	2,359.7	142.7	106.0	2,974.3	2,465.7
Unallocated costs					(416.0)	(445.6)
Operating profit					2,558.3	2,020.1
Net finance income					139.8	85.1
Share of results of associates					112.2	41.4
Profit before income tax					2,810.3	2,146.6

The entity is domiciled in Kenya. The revenue attributed to local sales was Shs 8,710.2 million (2010: Shs 7,608.3 million) while the revenues attributed to all foreign countries in total from which the entity derives revenues was Shs 2,535.6 million (2010: Shs 1,994.2 million). The Group does not derive revenues in excess of 10% of the total group's revenue from any individual customer. Other segments included in the balance sheet are as follows:

Included in the statement of comprehensive income are the following expenses:

	Newspapers & Magazines		Broadcasting		Group	
	2011	2010	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m
Depreciation	269.0	251.5	105.6	102.5	374.6	354.0
Amortisation	41.0	40.8	1.9	2.9	42.9	43.7
Provision for impairment of receivables	84.3	2.7	53.9	15.6	138.2	18.3

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

	Newspapers & Magazines		Broadcasting		Group	
	2011	2010	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m
Segment assets	7,134.2	6,397.2	1,073.5	1,048.4	8,207.7	7,445.6
Investment in associates					608.6	529.6
					8,816.3	7,975.2
Segment liabilities	1,771.0	1,900.3	759.9	652.8	2,530.9	2,553.1
Capital expenditure	380.9	403.7	76.0	63.9	456.9	467.6

NOTES TO THE FINANCIAL STATEMENTS
continued

6 EXPENSES BY NATURE

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

	Group	
	2011	2010
	Kshs m	Kshs m
Profit on disposal of property, plant and equipment	(10.3)	(7.8)
Operating lease rentals-office buildings	153.8	148.1
Repairs and maintenance expenditure on property, plant and equipment	11.9	14.6
Auditors' remuneration: Group	19.1	17.0
: Company	10.6	9.7
Employee benefits expense (Note 7)	3,101.3	2,841.8
Depreciation of property, plant & equipment (Note15)	374.6	354.0
Amortisation of intangible assets (Note 16)	41.7	42.5
Operating lease rentals-leasehold land (Note 17)	1.2	1.2
Trade receivables-provision for impairment (Note 21)	138.2	18.3

7 EMPLOYEE BENEFITS EXPENSE

Salaries and wages	2,852.6	2,510.3
National Social Security Fund	63.0	54.8
Retirement benefits costs	185.7	276.7
	3,101.3	2,841.8

The number of persons employed by the group at the year end was:	2011	2010
	Number	Number
Full time	1,382	1,299
Part time	305	270
	1,687	1,569

NOTES TO THE FINANCIAL STATEMENTS
continued

8(a) OTHER INCOME

	Group	
	2011	2010
	Kshs m	Kshs m
Interest income	152.5	86.8
(b) FINANCE COST		
Interest expense	(12.7)	(1.7)
9 INCOME TAX EXPENSE		
Current income tax	725.2	716.5
Over provision of income tax in prior years	-	(5.5)
Deferred income tax (Note 14)	78.3	(83.2)
Over provision of deferred tax in prior years (Note 14)	-	(19.6)
	803.5	608.2

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:

	Group	
	2011	2010
	Kshs m	Kshs m
Profit before income tax	2,810.3	2,146.6
Tax calculated at the statutory tax rate of 30%	843.1	644.0
Tax effect of:		
- income not subject to tax	(54.7)	(24.7)
- Expenses not deductible for tax purposes	15.1	14.0
Over provision of deferred tax in prior years	-	(19.6)
Over provision of income tax in prior years	-	(5.5)
Income tax expense	803.5	608.2

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 in issue during the year

	Group	
	2011	2010
Net profit attributable to shareholders (Kshs million)	1,996.9	1,536.0
Weighted average number of ordinary shares in issue (million)	157.1	157.1
Basic earnings per share (Shs)	12.7	9.8

There were no potentially dilutive ordinary shares outstanding as at 31 December 2011 or 2010. Diluted earnings per share is therefore the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
continued

11 SHARE CAPITAL

	Number of shares (million) 2011	Number of shares (million) 2010	Ordinary shares Kshs m 2011	Ordinary shares Kshs m 2010
Authorised	240	240	600	600
Issued and fully paid				
As at 1 January	157.1	142.6	392.8	356.5
Issue of bonus shares	-	14.5	-	36.3
Balance as at 31 December	157.1	157.1	392.8	392.8

All issued shares are fully paid.

12 OTHER RESERVES

	Revaluation reserve on buildings Kshs m	Currency translation Kshs m	Total Kshs m
Group			
As at 1 January 2010	73.4	8.9	82.3
Currency translation differences	-	(51.0)	(51.0)
Transfer of excess depreciation	(2.3)	-	(2.3)
Deferred income tax on transfer	0.7	-	0.7
Balance as at 31 December 2010	71.8	(42.1)	29.7
As at 1 January 2011	71.8	(42.1)	29.7
Currency translation differences	-	(19.9)	(19.9)
Transfer of excess depreciation	(2.3)	-	(2.3)
Deferred income tax on transfer	0.7	-	0.7
Balance as at 31 December 2011	70.2	(62.0)	8.2

NOTES TO THE FINANCIAL STATEMENTS
continued

12 OTHER RESERVES (CONTINUED)

	Revaluation reserve on buildings Kshs m	Total Kshs m
Company		
As at 1 January 2010	73.4	73.4
Currency translation differences	-	-
Transfer of excess depreciation	(2.3)	(2.3)
Deferred income tax on transfer	0.7	0.7
Balance as at 31 December 2010	71.8	71.8
As at 1 January 2011	71.8	71.8
Currency translation differences	-	-
Transfer of excess depreciation	(2.3)	(2.3)
Deferred income tax on transfer	0.7	0.7
Balance as at 31 December 2011	70.2	70.2

13 BORROWINGS

	Group	
	2011 Kshs m	2010 Kshs m
Current		
Bank borrowings	28.5	21.3
	28.5	21.3
Non current		
Bank borrowings	118.5	-
Total borrowings	147.0	21.3

During the year Monitor Publications Ltd obtained a 6 year loan worth Uganda Shillings 5 billion (equivalent to Kenya Shillings 169.4 million) from Citibank Uganda Ltd that financed the purchase of a new printing press. 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:

	Group	
	2011	2010
Bank loan	14.46%	7.00%

NOTES TO THE FINANCIAL STATEMENTS
continued

13 BORROWINGS (CONTINUED)

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

Maturity of non-current borrowings

	Group	
	2011	2010
	Kshs m	Kshs m
Between 1 and 2 years	28.5	-
Between 2 and 5 years	90.0	-
	118.5	-

14 DEFERRED INCOME TAX

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
At start of year	(69.3)	33.5	(15.7)	61.7
Charge/ (credit) to the statement of comprehensive income (Note 9)	78.3	(83.2)	60.2	(57.8)
Over provision in prior years (Note 9)	-	(19.6)	-	(19.6)
Currency translation differences	1.7	-	-	-
At end of year	10.7	(69.3)	44.5	(15.7)
Deferred income tax liabilities	44.5	-	44.5	-
Deferred income tax assets	(33.8)	(69.3)	-	(15.7)
At end of year	10.7	(69.3)	44.5	(15.7)

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

	1.1.11	Charged/ (credited) to SCI	31.12.11
Group	Kshs m	Kshs m	Kshs m
Year ended 31 December 2011			
Deferred income tax liabilities			
Property, plant and equipment	104.8	32.7	137.5
Unrealized exchange gains	83.3	9.7	93.0
	188.1	42.4	230.5
Deferred income tax assets			
Provisions	(182.6)	60.6	(122.0)
Unrealized exchange losses	(74.8)	(24.7)	(99.5)
	(257.4)	35.9	(221.5)
Currency translation differences	-	1.7	1.7
Net deferred income tax (asset) / liability	(69.3)	80.0	10.7

NOTES TO THE FINANCIAL STATEMENTS
continued

14 DEFERRED INCOME TAX (CONTINUED)

	1.1.10	Charged/ (credited) to SCI	31.12.10
Group	Kshs m	Kshs m	Kshs m
Year ended 31 December 2010			
Deferred income tax liabilities			
Property, plant and equipment	142.0	(37.2)	104.8
Unrealized exchange gains	7.2	76.1	83.3
	149.2	38.9	188.1
Deferred income tax assets			
Provisions	(103.0)	(79.6)	(182.6)
Unrealized exchange losses	(12.7)	(62.1)	(74.8)
	(115.7)	(141.7)	(257.4)
Net deferred income tax liability/ (asset)	33.5	(102.8)	(69.3)

Company Year ended 31 December 2011	1.1.11	Charged/ (credited) to SCI	31.12.11
	Kshs m	Kshs m	Kshs m
Deferred income tax liabilities			
Property, plant and equipment	94.9	1.6	96.5
Unrealized exchange gains	84.0	6.4	90.4
	178.9	8.0	186.9
Deferred income tax assets			
Provisions	(116.6)	77.1	(39.5)
Unrealized exchange losses	(78.0)	(24.9)	(102.9)
	(194.6)	52.2	(142.4)
Net deferred income tax (asset)/ liability	(15.7)	60.2	44.5

Company Year ended 31 December 2010	1.1.10	Charged/ (credited) to SCI	31.12.10
	Kshs m	Kshs m	Kshs m
Deferred income tax liabilities			
Property, plant and equipment	120.7	(25.8)	94.9
Unrealized exchange gains	6.8	77.2	84.0
	127.5	51.4	178.9
Deferred income tax assets			
Provisions	(53.3)	(63.3)	(116.6)
Unrealized exchange losses	(12.5)	(65.5)	(78.0)
	(65.8)	(128.8)	(194.6)
Net deferred income tax liability/ (asset)	61.7	(77.4)	(15.7)

Deferred income tax of Kshs.0.7 million (2010: Kshs.0.7 million) was transferred within shareholders' equity (both Group and Company) from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

NOTES TO THE FINANCIAL STATEMENTS
continued

15 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land Kshs m	Buildings Kshs m	Plant and equipment Kshs m	Total Kshs m
As at 1 January 2010				
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
Year ended 31 December 2010				
Opening net book value	7.0	367.6	1,507.5	1,882.1
Additions	-	-	452.4	452.4
Disposals	-	-	(32.6)	(32.6)
Depreciation charge	-	(9.5)	(344.5)	(354.0)
Currency translation differences	-	(11.2)	(43.4)	(54.6)
Closing net book value	7.0	346.9	1,539.4	1,893.3
As at 31 December 2010				
Cost or valuation	7.0	390.5	4,722.5	5,120.0
Accumulated depreciation	-	(43.6)	(3,183.1)	(3,226.7)
Net book value	7.0	346.9	1,539.4	1,893.3
Year ended 31 December 2011				
Opening net book value	7.0	346.9	1,539.4	1,893.3
Additions	-	-	446.0	446.0
Disposals	-	-	(5.9)	(5.9)
Depreciation charge	-	(9.5)	(365.1)	(374.6)
Currency translation differences	-	(2.7)	(10.8)	(13.5)
Closing net book value	7.0	334.7	1,603.6	1,945.3
As at 31 December 2011				
Cost or valuation	7.0	387.7	5,140.8	5,535.5
Accumulated depreciation	-	(53.0)	(3,537.2)	(3,590.2)
Net book value	7.0	334.7	1,603.6	1,945.3

NOTES TO THE FINANCIAL STATEMENTS
continued

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land Kshs m	Buildings Kshs m	Plant and equipment Kshs m	Total Kshs m
Company				
As at 1 January 2010				
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
Year ended 31 December 2010				
Opening net book value	7.0	246.0	980.8	1,233.8
Additions	-	-	327.7	327.7
Disposals	-	-	(2.4)	(2.4)
Depreciation charge	-	(6.7)	(253.5)	(260.2)
Closing net book value	7.0	239.3	1,052.6	1,298.9
As at 31 December 2010				
Cost or valuation	7.0	261.8	3,723.9	3,992.7
Accumulated depreciation	-	(22.5)	(2,671.3)	(2,693.8)
Net book value	7.0	239.3	1,052.6	1,298.9
Year ended 31 December 2011				
Opening net book value	7.0	239.3	1,052.6	1,298.9
Additions	-	-	228.0	228.0
Disposals	-	-	(1.6)	(1.6)
Depreciation charge	-	(6.7)	(271.9)	(278.6)
Closing net book value	7.0	232.6	1,007.1	1,246.7
As at 31 December 2011				
Cost or valuation	7.0	261.8	3,915.3	4,184.1
Accumulated depreciation	-	(29.2)	(2,908.2)	(2,937.4)
Net book value	7.0	232.6	1,007.1	1,246.7

NOTES TO THE FINANCIAL STATEMENTS
continued

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The group's buildings on leasehold land 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 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	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Cost	314.7	314.7	166.2	166.2
Accumulated depreciation	(73.4)	(63.9)	(61.7)	(55.0)
Net book value	241.3	250.8	104.5	111.2

16 INTANGIBLE ASSETS

	Goodwill	Computer software	Transmission Frequencies	Total
	Kshs m	Kshs m	Kshs m	Kshs m
Group				
As at 1 January 2010				
Cost	187.9	287.5	27.2	502.6
Accumulated amortisation	-	(155.3)	-	(155.3)
Net book value	187.9	132.2	27.2	347.3
Year ended 31 December 2010				
Opening net book value	187.9	132.2	27.2	347.3
Additions	-	15.2	-	15.2
Amortisation	-	(42.5)	-	(42.5)
Currency translation differences	-	(0.6)	-	(0.6)
Closing net book value	187.9	104.3	27.2	319.4
As at 31 December 2010				
Cost	187.9	301.5	27.2	516.6
Accumulated amortisation	-	(197.2)	-	(197.2)
Net book value	187.9	104.3	27.2	319.4
Year ended 31 December 2011				
Opening net book value	187.9	104.3	27.2	319.4
Additions	-	10.9	-	10.9
Amortisation	-	(41.7)	-	(41.7)
Currency translation differences	-	(0.1)	-	(0.1)
Closing net book value	187.9	73.4	27.2	288.5
As at 31 December 2011				
Cost	187.9	312.1	27.2	527.2
Accumulated amortisation	-	(238.7)	-	(238.7)
Net book value	187.9	73.4	27.2	288.5

NOTES TO THE FINANCIAL STATEMENTS
continued

16 INTANGIBLE ASSETS (CONTINUED)

IMPAIREMENT 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 allocated is presented below:

	Operating Segment	2011	2010
		Kshs m	Kshs m
Mwananchi Communications Limited	Newspapers	128.9	128.9
Monitor Publications Limited	Newspapers	23.0	23.0
East Africa Television Network	Broadcasting	15.5	15.5
Radio Uhuru Limited	Broadcasting	20.5	20.5
		187.9	187.9

	Computer software	Transmission Frequencies	Total
	Kshs m	Kshs m	Kshs m
Company			
As at 1 January 2010			
Cost	276.1	27.2	303.3
Accumulated amortisation	(149.0)	-	(149.0)
Net book value	127.1	27.2	154.3
Year ended 31 December 2010			
Opening net book value	127.1	27.2	154.3
Additions	14.3	-	14.3
Amortisation	(40.6)	-	(40.6)
Closing net book value	100.8	27.2	128.0
As at 31 December 2010			
Cost	290.4	27.2	317.6
Accumulated amortisation	(189.6)	-	(189.6)
Net book value	100.8	27.2	128.0
Year ended 31 December 2011			
Opening net book value	100.8	27.2	128.0
Additions	10.4	-	10.4
Amortisation	(39.9)	-	(39.9)
Closing net book value	71.3	27.2	98.5
As at 31 December 2011			
Cost	300.8	27.2	328.0
Accumulated amortisation	(229.5)	-	(229.5)
Net book value	71.3	27.2	98.5

NOTES TO THE FINANCIAL STATEMENTS
continued

17 PREPAID OPERATING LEASE RENTALS

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
At start of year	86.8	90.2	49.3	50.0
Amortisation for the year	(1.2)	(1.2)	(0.6)	(0.7)
Currency translation differences	(0.6)	(2.2)	-	-
At end of year	85.0	86.8	48.7	49.3

18 INVESTMENT IN ASSOCIATE

	Group	
	2011	2010
	Kshs m	Kshs m
At start of year	529.6	458.9
Share of profit before income tax	160.5	59.2
Share of income tax expense	(48.3)	(17.8)
	112.2	41.4
Dividends received	(5.5)	(5.5)
Share of other comprehensive income	(27.7)	34.8
At end of year	608.6	529.6

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 associate, which is unlisted, was as follows:

	Country of incorporation	% interest held	Assets Shs'm	Liabilities Shs'm	Revenues Shs'm	Profit/ (loss) Shs'm	Other comprehensive income Shs'm
Year 2010							
Property Development and Management Limited	Kenya	20%	3,809.6	491.9	318.2	207.1	174.20
Year 2011							
Property Development and Management Limited	Kenya	20%	4,548.8	841.4	360.0	560.8	(138.7)

There were no changes in the interest held in the associate during the year. The initial investment in associate carried in the company statement of financial position is Kshs. 94.6 million.

NOTES TO THE FINANCIAL STATEMENTS
continued

19 INVESTMENT IN SUBSIDIARIES (AT COST)

	Company	
	2011	2010
	Kshs m	Kshs m
At start of year	1,067.2	812.7
Additional investment:		
Mwananchi Communications Ltd	-	254.5
Nation Holdings Rwanda Ltd	8.2	-
At end of year	1,075.4	1,067.2

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 %	2011 Kshs m	2010 Kshs 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	569.3	569.3
Nation Holdings Tanzania Limited	Tanzania	100.0	150.4	150.4
Africa Broadcasting Uganda Limited	Uganda	100.0	347.7	347.7
Nation Holdings Rwanda ltd	Rwanda	100.0	8.2	-
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
			1,120.2	1,112.0
Provision for impairment			(44.8)	(44.8)
			1,075.4	1,067.2

NOTES TO THE FINANCIAL STATEMENTS
continued

20 INVENTORIES

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Raw materials at cost	824.5	514.1	603.6	390.6
Engineering spares at cost	123.9	127.3	115.3	117.7
Other stock at cost	85.9	34.9	67.8	26.7
	1,034.3	676.3	786.7	535.0

The cost of inventories recognised as an expense and included in the consolidated 'cost of sales' amounted to Shs 2,430.9 million (2010: Shs 1,800.8 million).

21 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Trade receivables	2,461.1	2,265.3	1,676.8	1,588.9
Less: provision for impairment	(1,158.8)	(1,020.6)	(752.1)	(656.8)
	1,302.3	1,244.7	924.7	932.1
Amounts due from related parties (Note 28)	2.4	2.2	324.0	383.4
Other receivables and prepayments	624.0	550.4	509.6	474.4
	1,928.7	1,797.3	1,758.3	1,789.9

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

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
At start of year	1,020.6	1,002.3	656.8	628.4
Provision in the year	138.2	18.3	95.3	28.4
At end of year	1,158.8	1,020.6	752.1	656.8

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

NOTES TO THE FINANCIAL STATEMENTS
continued

22 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Cash and bank balances	990.3	1,127.5	843.8	991.2
Short term deposits	1,754.4	1,475.7	1,754.4	1,448.7
	2,744.7	2,603.2	2,598.2	2,439.9

The short term deposits include term deposits and short term note investments with related parties. Refer to note 28 (vii) for further details.

The weighted average effective interest rate on the bank deposits during the year was 7.2% (2010 : 4.3%)

23 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Trade payables	799.2	616.8	417.7	369.1
Amounts due to related parties (Note 28)	3.5	1.4	118.1	82.6
Accrued expenses	1,302.3	1,622.0	1,123.8	1,487.7
Other payables	397.4	209.0	333.8	117.2
	2,502.4	2,449.2	1,993.4	2,056.6

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

24 DIVIDENDS

During the year, an interim dividend of Kshs. 1.50 per share, amounting to Kshs. 235.7 million (2010: Kshs. 235.7 million) was paid. At the annual general meeting to be held on 27 April 2012, a final dividend in respect of the year ended 31 December 2011 of Kshs. 6.50 per share amounting to Kshs. 1,021.3 million (2010: Kshs. 628.5 million) will be proposed. In 2010, a special dividend of Kshs. 2.50 per share (Kshs. 392.8 million) was paid. The total dividend for the year is, therefore, Kshs. 8.00 per share (2010: Kshs. 8.00), amounting to Kshs. 1,257.0 million (2010: Kshs. 1,257.0 million).

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

NOTES TO THE FINANCIAL STATEMENTS
continued

25 COMMITMENTS

CAPITAL EXPENDITURE

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

	Group	
	2011	2010
	Kshs m	Kshs m
Contracted for but not provided for	13.9	10.5

Operating leases

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

	2011	2010
	Kshs m	Kshs m
Not later than 1 year	108.2	101.0
Later than 1 year and not later than 5 years	469.6	439.3
	577.8	540.3

26 CASH GENERATED FROM OPERATIONS

	2011	2010
	Kshs m	Kshs m
Reconciliation of profit before tax to cash generated from operations		
Profit before income tax	2,810.3	2,146.6
Adjustment for:		
Depreciation of property, plant and equipment (Note 15)	374.6	354.0
Amortisation of intangible assets (Note 16)	41.7	42.5
Amortisation of prepaid operating lease rentals (Note 17)	1.2	1.2
Profit on sale of property, plant and equipment	(10.3)	(7.8)
Impairment of fixed assets	-	29.1
Interest income (Note 8a)	(152.5)	(86.8)
Interest expense (Note 8b)	12.7	1.7
Share of result before tax of associate (Note 18)	(112.2)	(41.4)
Changes in working capital:		
- inventories	(358.0)	(65.0)
- receivables and prepayments	(131.4)	(206.7)
- payables and accrued expenses	53.2	736.6
Cash generated from operations	2,529.3	2,904.0

NOTES TO THE FINANCIAL STATEMENTS
continued

27 CONTINGENT LIABILITIES

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

28 RELATED PARTIES

Aga Khan Fund for Economic Development, S.A (AKFED) incorporated in Switzerland is the principal shareholder of the Company. There are various other companies which are related to the Group through common shareholdings and 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	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
Monitor Publications Limited	-	-	26.7	43.9
Mwananchi Communications Limited	-	-	1.3	-
	-	-	28.0	43.9
ii) Purchase of goods and services				
Monitor Publications Limited	-	-	5.6	-
Mwananchi Communications Limited	-	-	9.6	-
TPS Eastern Africa Limited	24.0	17.1	4.2	4.7
Jubilee Holdings Limited	117.2	106.1	97.9	93.0
	141.2	123.2	117.3	97.7
iii) Outstanding balances from transactions with related parties				
Amounts due from related parties				
Monitor Publications Limited	-	-	-	63.7
Mwananchi Communications Limited	-	-	245.2	228.0
Nation Infotech Limited	-	-	0.9	0.9
Radio Uhuru Limited	-	-	4.9	4.9
Africa Broadcasting Uganda Limited	-	-	53.6	84.5
Nation Holdings Rwanda Limited	-	-	17.7	-
TPS Eastern Africa Limited	1.5	1.0	0.9	0.4
Jubilee Holdings Limited	0.9	1.2	0.8	1.0
	2.4	2.2	324.0	383.4
Amounts due to related parties				
Monitor Publications Limited	-	-	25.8	-
Nation Marketing and Publishing Limited	-	-	84.5	71.7
Nation Holdings Tanzania Limited	-	-	7.4	10.1
TPS Eastern Africa Limited	3.5	1.4	0.4	0.8
	3.5	1.4	118.1	82.6

NOTES TO THE FINANCIAL STATEMENTS
continued

28 RELATED PARTIES (CONTINUED)

iv) Loans to executive directors	Group		Company	
	2011	2010	2011	2010
	Kshs m	Kshs m	Kshs m	Kshs m
At start of year	0.7	3.0	0.7	3.0
Loans advanced during the year	-	1.5	-	1.5
Loans repaid during the year	(0.6)	(3.8)	(0.6)	(3.8)
At end of year	0.1	0.7	0.1	0.7

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

v) KEY MANAGEMENT COMPENSATION

Key management includes executive directors. The compensation paid or payable to key management for employee services is shown below.

	Company	
	2011	2010
	Kshs m	Kshs m
Salaries and other short term employment benefits	65.9	59.5

vi) DIRECTORS' REMUNERATION

Fees for services as director	23.6	22.5
Salaries and other short term employment benefits	65.9	59.5
	89.5	82.0

vii) OTHER RELATED PARTY TRANSACTIONS

Included as part of cash and cash equivalents in the Company as at 31 December 2011 are the following balances with related parties:

	Company	
	2011	2010
	Kshs m	Kshs m
Term deposit with Diamond Trust Bank Kenya Limited	350.0	436.6
Short term note investment with Industrial Promotion Services (K) Limited	-	300.0
Short term note investment with Industrial Promotion Services (K) Limited	200.0	-

The terms of the above deposit with Diamond Trust Bank Kenya Limited is at arm's length, similar to those entered with other parties by the bank.

The short term note investments with Industrial Promotion Services (K) Limited are for a duration of 6 months each, attracting interest rate of 15.6% per annum for 2011 and 5% per annum for 2010 respectively.

FIVE YEAR FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
	Kshs m	Kshs m	Kshs m	Kshs m	Kshs m
Results					
Turnover	11,245.8	9,602.5	8,189.8	8,251.5	7,685.6
Profit before tax	2,810.3	2,146.6	1,617.4	1,910.3	1,601.6
Profit attributable to shareholders	1,949.3	1,519.8	1,103.1	1,296.2	1,089.6
Net assets					
Non-current assets	2,961.2	2,898.4	2,806.8	2,694.8	2,284.2
Net current assets	3,324.2	2,523.7	1,996.2	1,854.8	1,719.0
Non-current liabilities	(163.0)	-	(89.3)	(235.1)	(267.2)
Non-controlling interest	(69.9)	(61.9)	(67.2)	13.1	87.8
Shareholders' funds	6,052.5	5,360.2	4,646.5	4,327.6	3,823.8
Profit before tax as a percentage of turnover (%)	24.99	22.35	19.75	23.15	20.84
Earnings per share (Shs)	12.71	9.77	7.02	8.25	6.93
Dividends per share (Shs) - Ordinary	8.00	5.50	5.50	5.50	5.25
- Special	-	2.50	-	-	-
Total dividend per share (Shs)	8.00	8.00	5.50	5.50	5.25
Dividends cover (times)	1.59	1.22	1.28	1.50	1.32

PRINCIPAL SHAREHOLDERS AND THEIR RESPECTIVE SHAREHOLDING at 31 December 2011

No. Name of shareholder	No. of shares held	%
1. The Aga Khan Fund for Economic Development (AKFED)	70,165,286	44.66
2. Mr. Amin Nanji Juma	15,686,175	9.98
3. National Social Security Fund	5,011,798	3.19
4. John Kibunga Kimani	2,001,611	1.27
5. The Jubilee Insurance Company of Kenya Limited	1,950,579	1.24
6. Insurance Company of East Africa Ltd - Pooled A/c	860,276	0.55
7. Standard Chartered Nominees A/c 9389	849,172	0.54
8. SCB A/c Pan African Unit linked FD	847,688	0.54
9. Kenya Reinsurance Corporation Ltd	798,600	0.51
10. Old Mutual Life Assurance Company Ltd	724,217	0.46

DISTRIBUTION OF SHAREHOLDING at 31 December 2011

No. of shares	No. of shareholders	No. of shares held%	of shareholding
1 – 500	4,345	859,288	0.55
501 – 5,000	4,959	9,914,376	6.31
5,001 – 10,000	767	5,528,287	3.52
10,001 – 100,000	905	21,654,212	13.78
100,001 – 1,000,000	91	24,346,960	15.50
Over 1,000,000	5	94,815,449	60.35
TOTAL	11,072	157,118,572	100.00

DIRECTORS SHAREHOLDING

Name	No. of shares held	% of Shareholding
Linus Gitahi	39,216	0.0250
Gerald Wilkinson	3,300	0.0021
Yasmin Jetha	3,200	0.0020
Stephen Gitagama	1,080	0.0007


BCLB 001747
Jishindie
TAA
250
USHINDANIWA!
TAA ya TAIFA
Shiriki shindano la Taa ya Taifa kwa kujaza fomu ya kiingilio inayopatikana katika gazeti la Taifa Leo kila siku. Kusanya kuponi 5 kutoka kwa magazeti ya Taifa Leo ya tarehe mbalimbali na uziunganishe na fomu ya kiingilio ili upate nafasi ya kushinda katika droo.
Peleka fomu na kuponi hizo katika afisi yoyote ya Nation Media Group:
NATION CENTRE KIMATHI STREET. NATION BUREAU–MOMBASA NKURUMAH RD. NATION BUREAU-NAKURU TOWN.
NATION BUREAU-ELDORET TOWN. NATION BUREAU–NYERI TOWN. NATION BUREAU-KISUMU TOWN.
Washindi 50 kutoka kote nchini watachaguliwa katika kila droo kama ifuatavyo.
Nyeri- Januari 7, Kisumu – Januari 28, Mombasa – Februari 11, Nairobi – Februari 25 na Nakuru – Machi 16.
FOCE
TAA YA TAIFA IMETOLEWA NA DEUTREX 818 LTD. SIMU: 0208077160
TAIFA LEO
Ng'amua Ukweli

78

PROXY FORM

I/We ____

____ being a member/members of Nation Media

Group Limited, hereby appoint ____

of ____

and failing him ____ and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 27 April 2012 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

Medai Group Limited, ninamteua _________________________________

wa ____

Na akikosa yeye ________________________________ ana akikosa yeye mwenye kiti wa mkutano kama muwakilishi wangu/wawakilishi wetu wa kunipigia kura kwa niaba yangu/yetu katika mkutano wa mwaka wa kampuni utakaofanyika Aprili 27 2012 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 imfike 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.