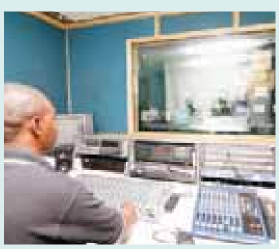
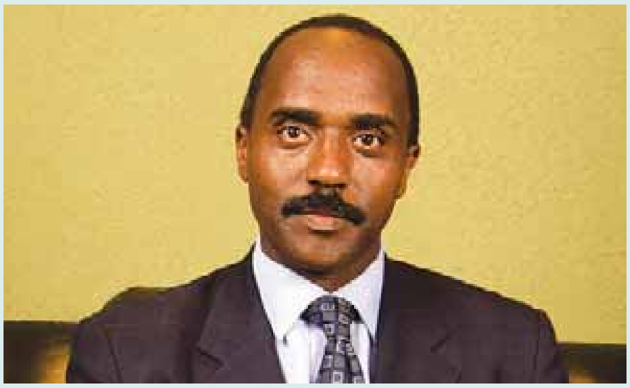
What's inside this report



50th Anniversary Highlights

We commemorated our 50th Anniversary with pomp and show and delivered an epic performance ending the year as Kenya's Company of the Year.



L W Gitahi Group Chief Executive

PAN AFRICA MEDIA CONFERENCE

Africa's economic future and the challenge of uniting people and nations drew eminent politicians and scholars to a historic public debate in Nairobi for the Pan Africa Media Conference 2010. With more than 1,500 delegates drawn from 18 countries, the conference examined the role of a free press in Africa, debated the path to regional integration and spoke out on the continent's quality of leadership as the curtain rose on Nation Media Group's 50th Anniversary celebrations.

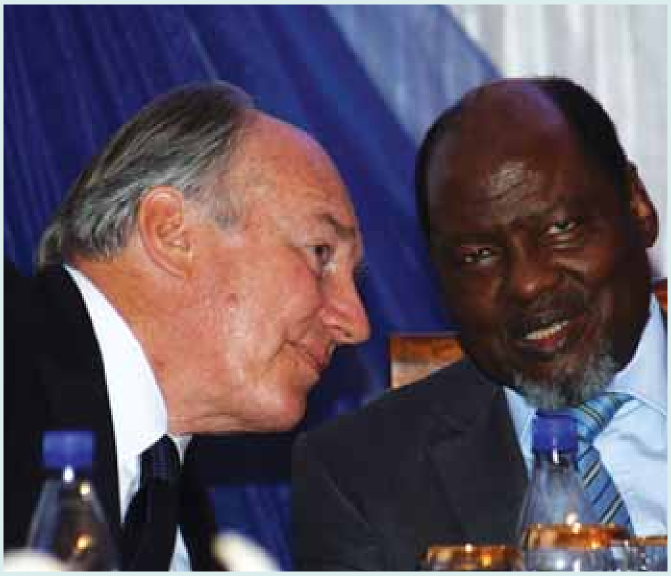
The conference was a great acknowledgment of Nation Media Group's emergence over the last 50 years as a leading media company in Africa. The event confirmed the group's rise to prominence in the region and elicited praise from many peer media practitioners in the region. This firmly aligns the group's intention to be the Media of Africa for Africa.

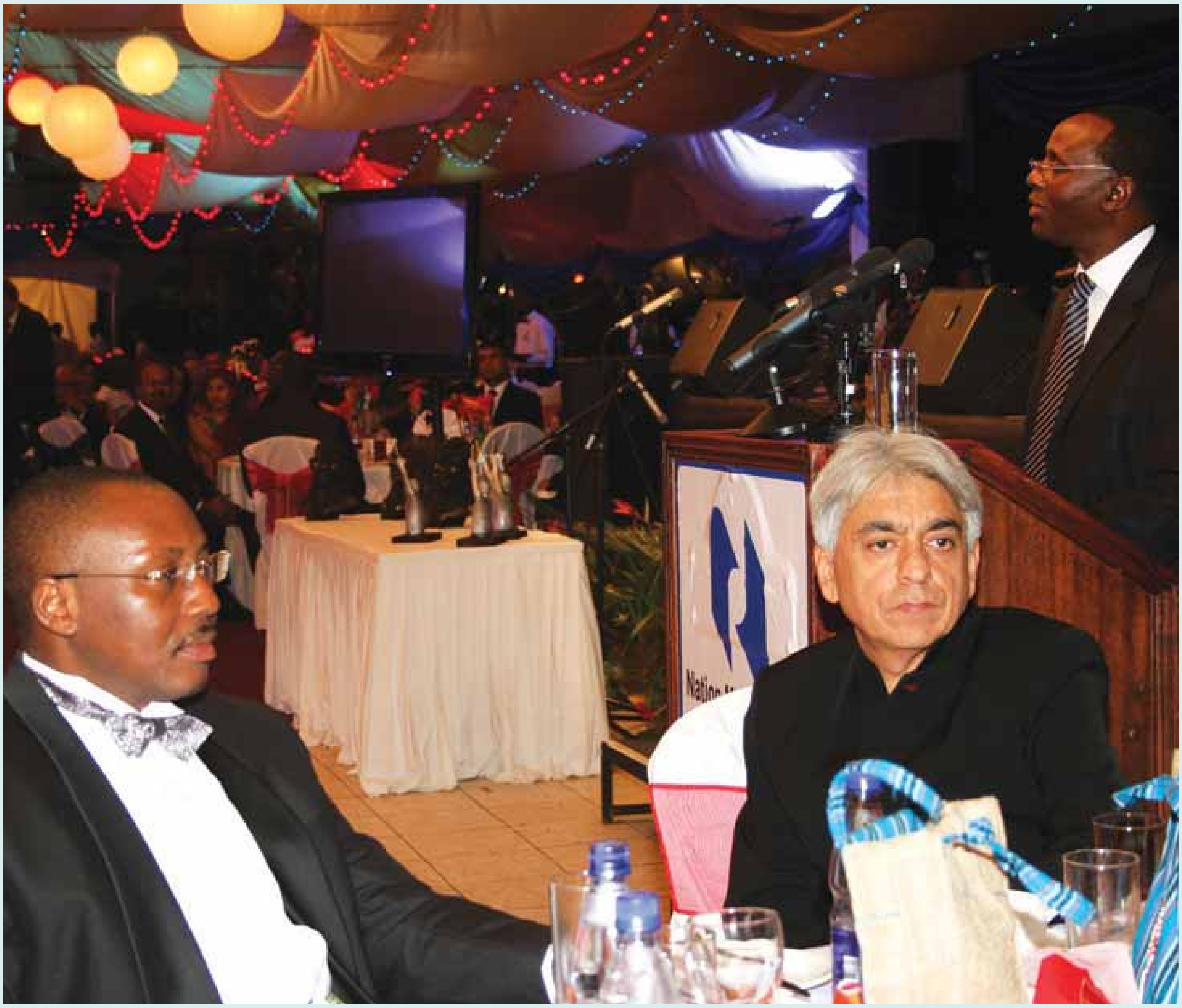
The conference achieved the following objectives:

- The forum re-examined media gains and reset agendas in the light of new developments in the industry.
- Highlighted the industry's gradual shift towards emerging technologies in news collection, preparation, and dissemination.
- Gave Nation Media Group and its products an affirmation from peers and galvanized the group's intention to lead in Africa.
- The conference proposed solutions on how African policy can be shaped in light of the rapid transitions taking place in the industry as it grapples with the effects of technological change.
- Opened the debate about Africa hosting a similar forum every two years and positioned NMG as a regional media champion with a strong heritage to boot.

PAN AFRICAN MEDIA CONFERENCE 2010

PAN AFRICAN MEDIA CONFERENCE GALA DINNER





The African journalism awards for lifetime achievement and inspiration honored five journalists from Western, Eastern, Central, Northern and Southern Africa with life achievement and inspiration awards.

PAN AFRICA MEDIA CONFERENCE GALA DINNER

At the Gala dinner, NMG feted some of the continent's most courageous and dedicated journalists over the years as part of its commemoration of its golden jubilee. The African journalism awards for lifetime achievement and inspiration honored five journalists from Western, Eastern, Central, Northern and Southern Africa with life achievement and inspiration awards.

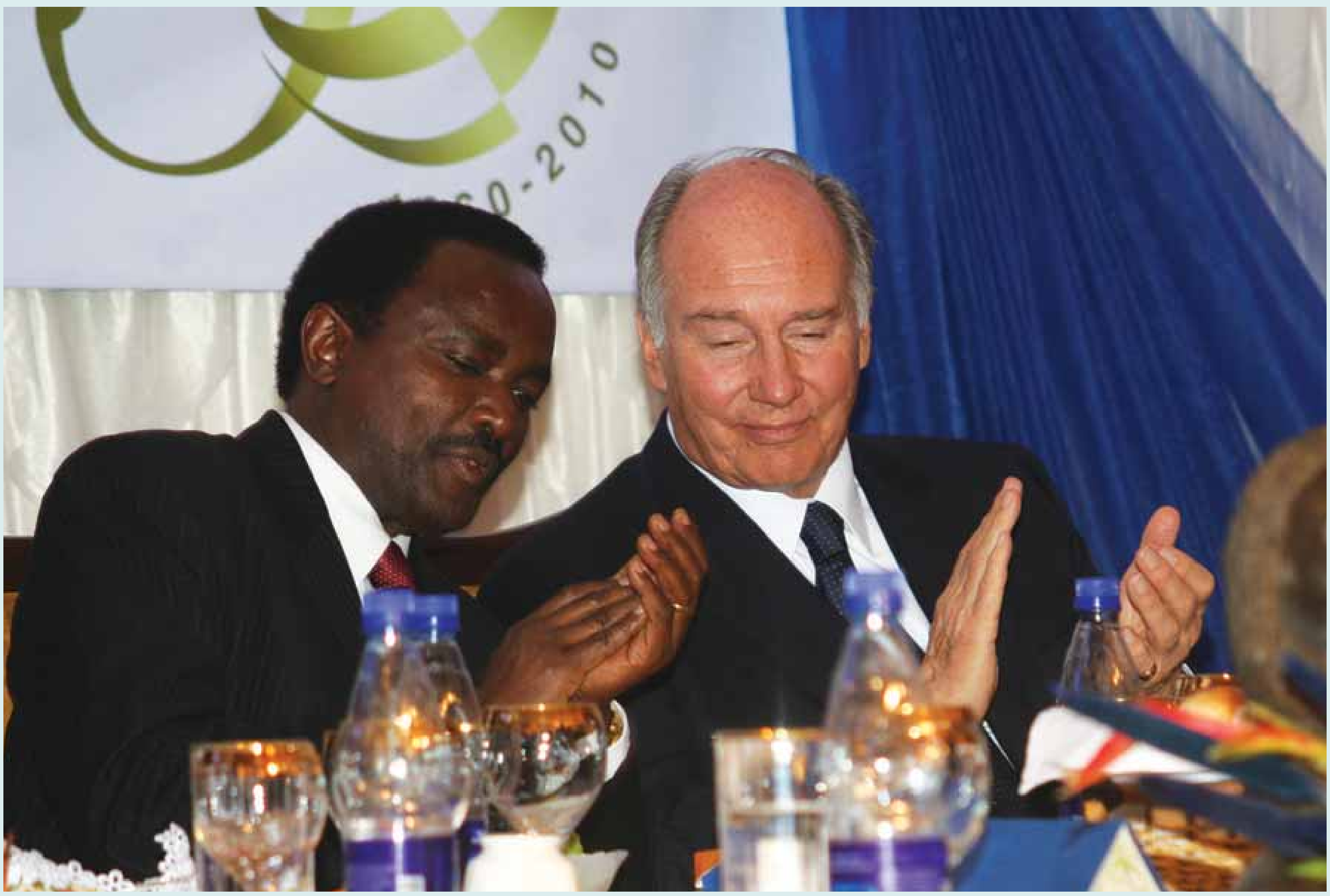
Another five journalists from each of the regions received special mentions for their journalism. The event was well attended with more than 800 guests drawn from the private sector, diplomatic corps and captains of industry who graced the occasion. The gala dinner was sponsored by Diamond Trust Bank.

Those who received life achievement plaques were Trevor Ncube (Zimbabwe), Mohammed Amin (posthumously, Kenya), Ray Ekpu (Nigeria), Alexis Sundihije (Burundi), and Mohammed Hussein Haikal (Egypt).

PAN AFRICA MEDIA CONFERENCE CULTURAL DINNER

At the closing of the conference, 900 delegates were treated to a night of African cuisine and music to mark a truly landmark and befitting media event. It was a delightful evening with the conference participants getting a chance to mingle and enjoy the diversity from across the continent. The cultural dinner was sponsored by the Coca Cola Company.

PAN AFRICAN MEDIA CONFERENCE GALA DINNER



50TH ANNIVERSARY COMMEMORATION PUBLICATIONS – BIRTH OF A NATION & GOLDEN YEARS

Birth of A Nation is probably the most nuanced historical study of a major media outlet in Eastern Africa. Gerry Loughran the author, narrates the story of the Nation against the background of the politics of 'transition' in Kenya following the country's independence and its subsequent transformation over the intervening years. The book is both a historical text and a critical examination into state–media relations in the country.

The Golden Years is a souvenir coffee table publication, developed to trace the journey of Nation Media Group from inception to the present. It is a well written book with both pictorial as well as editorial depth that visits the five decades of the Group's history.

HEADLINES IN HISTORY DOCUMENTARY

A four-part series, this hour-long documentary, 'Headlines in History', chronicles post-colonial Kenya by reviewing the stories that made headlines in the newspapers of the Nation Media Group. The documentary won several 'best documentary' awards in 2010 including Kenya's premier film and TV Awards – The Kalasha Awards. Directed by award-winning producer and director Judy Kibinge, Headlines in History illustrates major stories at NMG from its change from black and white pictures to acquisition of hi-tech equipment enabling it to publish in colour. The documentary was premiered in October 2010 at Westgate Silver Bird Cinema theatre in the presence of more than 300 CEOs and company executives. The documentary was then exhibited to full houses for 3 weeks thereafter. More than 400 copies of the DVD have been sold or given as gifts to key stakeholders.

OWN A PIECE OF HISTORY PHOTO EXHIBITION

As part of the Nation Media Group's 50th Anniversary Commemoration, a special photo exhibition of 124 landmark pictures were displayed at various venues in Kenya. The pictures were limited editions of the most relevant and epic photographs since 1960 depicting the journey of the country and provided a unique opportunity for participants to own a unique piece of history. The pictures now form a permanent exhibition at the Kenyatta International Conference Centre in a space provided for Nation Media Group at the facility.

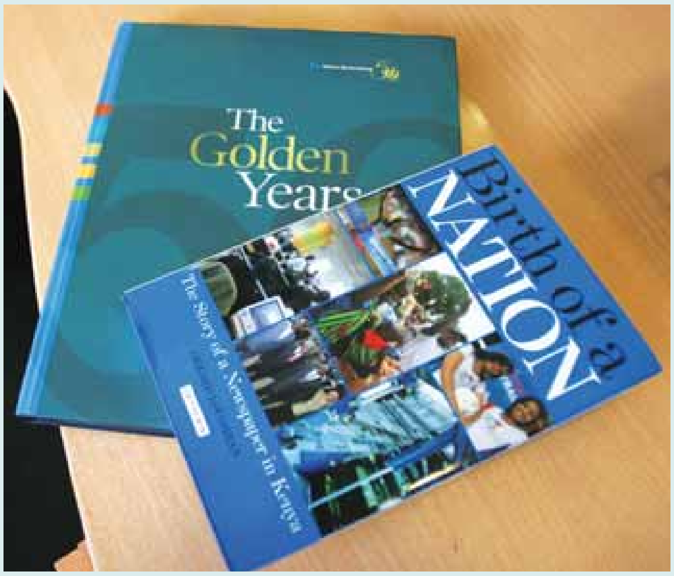
NMG 50TH ANNIVERSARY GOLF CLASSIC TOURNAMENT

The NMG 50th Anniversary Golf Classic featured more than 1,400 golfers from Kenya, Uganda and Tanzania. The series was a tour across Kenya and featured two tournaments played in Uganda and Tanzania.

The golf classic incorporated events in Arusha, Kampala, Kisumu, Machakos, Muthaiga, Nanyuki, Thika, Nyali, Royal Nairobi, Kitale, Nakuru and the finals held at Muthaiga. The overall winner got an all expense paid trip to South Africa.

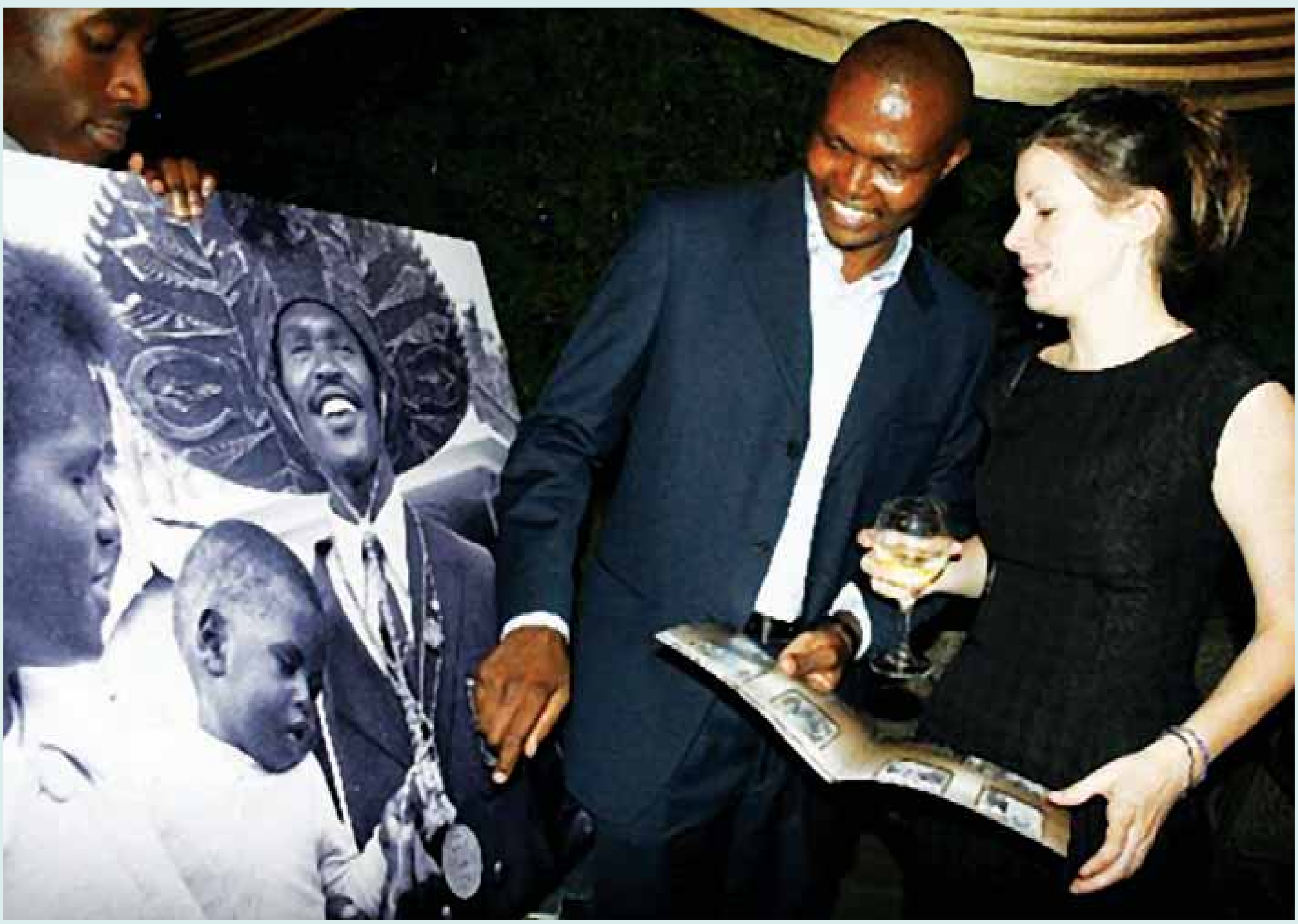
50TH ANNIVERSARY STAFF BREAKFAST

50TH ANNIVERSARY BOOKS



GOLF CLASSIC

OWN A PIECE OF HISTORY



KIBAKI AND RAILA TO HELP BROKER LAW DEAL

Principals to help MPs to reach consensus on sticking points in draft law

PAGE 2

DAILY NATION

★ No. 16466

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ANNIVERSARY

VISION FOR AFRICA

From left, Prime Minister Raila Odinga, the Aga Khan, President Kibaki, Rwanda President Paul Kagame and former Tanzanian President Benjamin Mkapa after the opening of the first Pan Africa Media Conference, and the 50th anniversary celebrations of the Nation Media Group at the KICC, Nairobi, yesterday. Photo/LIZ MUTHONI

Leaders discuss continent's unity and role of free media at Nation's anniversary celebrations

1960-2010

By NATION Team

Africa's economic future and the challenge of uniting people and nations drew eminent politicians and scholars into a historic public debate in Nairobi yesterday.

They examined the role of a free Press in Africa, debated the path to regional integration and spoke out on the continent's quality of leadership as the curtain rose on the Nation Media Group's 50th anniversary celebrations.

A sharp warning was sounded against the dangers of foreign aid by former Tanzanian President Benjamin Mkapa, who came out strongly against a proposed free trade agreement between Europe and Africa — the Economic Partnership Agreement — which he described as "another form of the Berlin agreement".

The round table of eminent persons set the stage for the Pan Africa Media Conference, the centre-piece of the Nation's birthday festivities, expected to last to the end of this month.

Birthday festivities

The two-day conference, which is being attended by nearly 1,000 delegates from all over the world, was opened by President Kibaki.

Among the dignitaries were Rwanda's President Paul Kagame, Prime Minister Raila Odinga, Mr Mkapa, former Mozambique President Joaquim Chissano, and Nobel laureate Wangari Maathai.

They had all been received by the

CONTINUED ON PAGE 6

Notice of Annual General Meeting

Notice is hereby given that the Forty Eighth Annual General Meeting of the Shareholders of Nation Media Group Limited will be held at the Amphitheatre, Kenyatta International Conference Centre, Nairobi on Thursday 23rd June 2011 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the financial statements for the year ended 31 December 2010, and the chairman's, directors' and auditor's reports thereon.

2. To confirm the payment of the interim dividend of Shs.1.50 per share (60%) and to approve payment of a one-off special dividend of Shs.2.50 per share (100%) and a final dividend of Shs.4.00 per share (160%) on the ordinary share capital in respect of the year ended 31 December 2010.

3. To confirm that PricewaterhouseCoopers continue in office 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, Mrs Z Muro and Prof. O Mugenda, directors who were both appointed on 2 September 2010, retire and being eligible, offer themselves for election.

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

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as a Special Resolution.

5. "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 notwithstanding that fact, be re-elected as a director of the Company for a further period of one year."

BY ORDER OF THE BOARD
J C KINYUA
SECRETARY
24 MARCH 2011

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 Mwaka

Ilani inatolewa kwamba Mkutano Mkuu wa kila Mwaka wa Wenyehisa wa Nation Media Group Limited utafanywa katika Amphitheatre, Kenyatta International Conference Centre, Nairobi mnamo Alhamisi Juni 23, 2011 saa nane mchana kwa madhumuni zifuatazo:

SHUGHULI ZA KAWAIDA

1. Kupokea taarifa ya kifedha ya mwaka uliomalizika Desemba 31, 2010, 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 mara moja ya mgao maalum wa Shilingi 2.50 kwa kila hisa (asilimia 100) na mgao wa mwisho wa Shilingi 4.00 kwa kila hisa (asilimia 160) kwa hisa za kawaida kuambatana na mwaka uliomalizika Desemba 31, 2010.

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, Bi Z Muro na Prof. O Mugenda, ambao ni wakurugenzi walioteuliwa mnamo Septemba 2, 2010, wanastaafu na wana fursa ya kujiwasilisha kwa uchaguzi kama wakurugenzi.

Kwa mujibu wa kifungu cha 110 cha Sheria za Kiushirika za Kampuni, Bw F O Okello na Bw J Lee, wanastaafu kwa zamu na kwa kuwa wana fursa ya kuingia ulingoni tena, wangependelea kuteuliwa tena kama wakurugenzi.

SHUGHULI MAALUM

Kwa kuzingatia na ikiwaziwa vyema, kupitisha uamuzi ufuatao kama Uamuzi Maalum.

5. “Kwamba Prof. L Huebner, mkurugenzi anayestaafu kwa mujibu wa 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.”

KWA IDHINI YA HALMASHAURI,
J C KINYUA,
KATIBU
24 MACHI 2011

Tambua: Mwanachama anayeruhusiwa kuhudhuria na kupiga kura anaweza kumteua mwenzake kumwakilisha na hata kupiga kura kwa niaba yake. Mtu huyu anayewakilisha si lazima awe mwanachama 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.

Corporate Governance

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

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.

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 financial statements and which meets quarterly each year. Mr D Aluanga chairs the committee which has Mr A Poonawala and Mr J Lee as members.

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

4. Editorial Committee, which considers and advises on the Group editorial policy, the journalistic code of conduct 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. Remuneration and Human Resources Committee, is charged with the responsibility of considering human resource policies and recommending non executive directors and senior executives remuneration to the Board and which meets quarterly each year. Mr J Lee chairs the committee which has Mr A Poonawala, Dr Y Jetha, Prof. O Mugenda and Mrs Z Muro as members.

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.

Performance Highlights

Financial Highlights 2010

Group turnover increases by KShs. 1.4 Billion (17.2%) to KShs. 9.6 Billion

Profit before tax increases by 32.7% to KShs. 2.1 Billion

Profit attributable to shareholders increases by 37.8% to KShs. 1.5 Billion

Special one-off 50th Anniversary Dividend payout for the year of KShs. 2.50 above the ordinary dividend of KShs. 5.50

NTV Kenya & Uganda's operating profit up 131% and 142% respectively

Group turnover

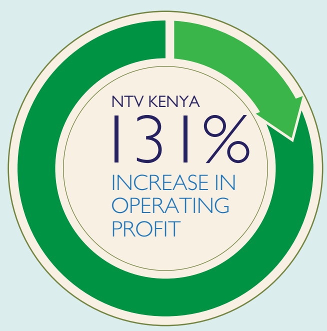
9.6bn
+17.2%

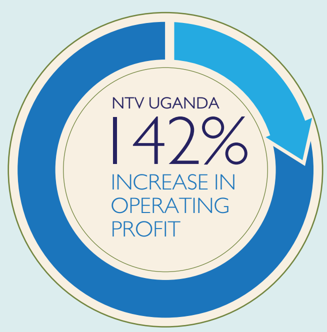
Profit before tax

2.1bn
+32.7%

Profit attributed to shareholders

1.5bn
+37.8%





Mukhtasari wa Matukio ya Mwaka wa 2010

Mapato ya Jumla ya Kampuni yaliongezeka kwa Shilingi 1.4 Bilioni (asilimia 17.2) hadi Shilingi 9.6 Bilioni

Faida kabla ya ushuru iliongezeka kwa asilimia 32.7 hadi Shilingi 2.1 Bilioni

Faida inayotokana na wenyehisa iliongezeka kwa asilimia 37.8 hadi Shilingi 1.5 Bilioni

Mgao Maalum uliolipwa mwaka huo wa Shilingi 2.50 juu ya mgao wa kawaida wa Shilingi 5.50

Faida ya shughuli za NTV Kenya na Uganda iliongezeka kwa asilimia 131 na asilimia 142 mtawalia

Chairman's Statement

I am pleased to present the Annual Report and Financial Statements for the year ended 31 December 2010. This report marks the 37th year of Nation Media Group Limited as a publicly listed company and it gives me great pleasure to state that we have continued to deliver increased shareholder value as reflected by the improved financial results and the proposed final and special dividend payout to our shareholders.

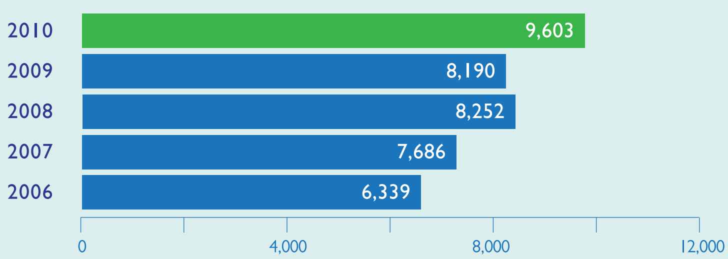
W D Kiboro
Chairman

BUSINESS ENVIRONMENT

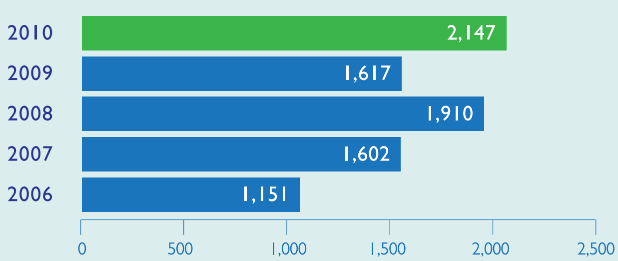
Kenya's economy registered positive growth on the back of a stable macro-economic environment. According to the IMF, agriculture, construction, manufacturing and the financial sectors continued to lead the economy's recovery which grew at 5.6% in 2010.

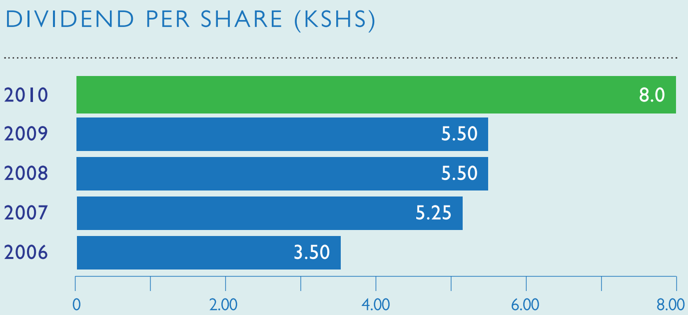
The headline inflation rate was below the Central Bank's 5% medium-term target, hitting a low of 3.09% in October 2010. The decline largely reflected a reduction in the cost of communication during the month, brought about by lower airtime tariffs, which followed aggressive competition by the mobile service providers in the market.

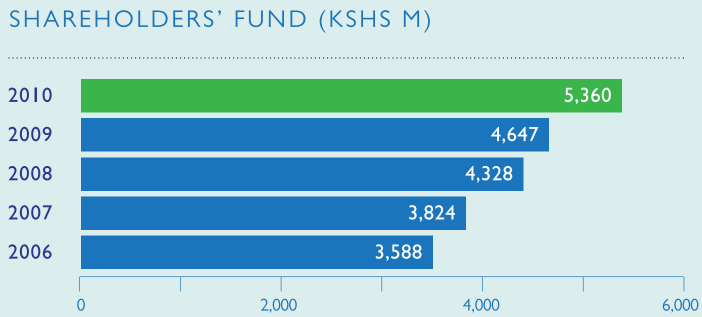
TURNOVER (KSHS M)

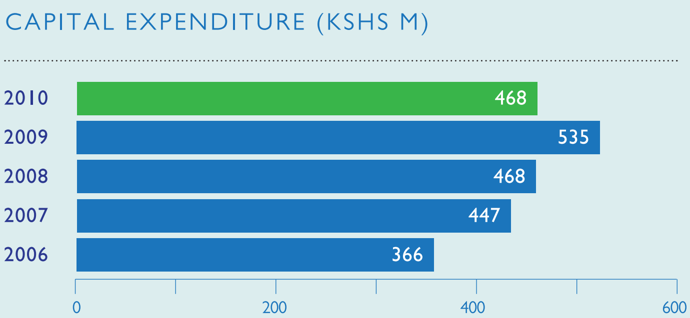


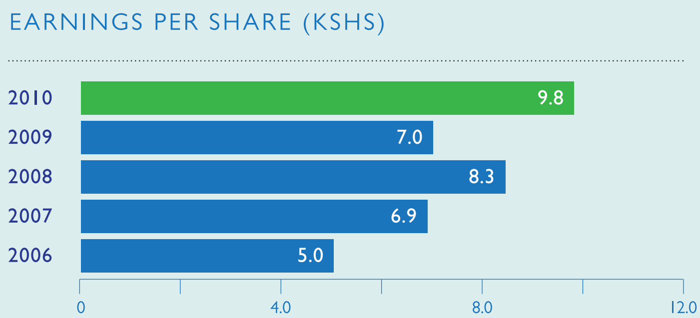
PROFIT BEFORE TAX (KSHS M)











Uganda's economy grew by 6% in 2010 with the services and manufacturing sector driving the growth. Investment in Uganda is projected to nearly double to $3 billion in 2011 due to growing foreign interest in its oil sector. With the current pace of drilling and the recent oil finds, some analysts believe that Uganda could be producing approximately 150,000 barrels of crude oil per day by 2015, making it a Top 50 oil producer.

The Tanzanian economy remained robust and on track for strong performance driven by the agriculture, exports and mining sectors. Agricultural production benefitted from improved weather conditions and budgetary stimulus. However, in the month of August, inflation rose above its fiscal target of 5% to 6.6% driven by an increase in the costs of food, fuel, power and water.

Overall, the business was adversely affected by rising inflation in the last four months of 2010 due to rising oil prices. Rising newsprint prices and taxes further increasing the pressure on the cost of production.

2010 RESULTS

Nation Media Group Limited achieved excellent financial results for the year ended 31 December 2010. The results were a significant improvement as compared to the previous year. Turnover for the year increased by 17.2% to Kshs. 9.6 billion, with the profit before tax increasing to Kshs. 2.146 billion compared to Kshs. 1.617 billion (32.7%) for the previous year. The good performance was attributable to revenue growth, market share gains, savings on newsprint and increased turnover from the young and previously underperforming businesses.

DIVIDENDS

The Directors have declared a final dividend for the year of Kshs. 4.00 (160%) per share on the issued share capital of 157,118,572 ordinary shares of Kshs. 2.50 each. In addition, the Directors as part of the group's 50th Anniversary celebrations, have resolved to declare a special one-off dividend of Kshs. 2.50 (100%) per share. This payment, together with the interim dividend of Kshs.1.50 (60%) per share paid in September 2010 makes a total dividend payout for the year of Kshs. 8.00 (320%) per share (2009: 220%)

SHARE PRICE

In 2010, earnings per share grew 40% from Kshs. 7.0 to Kshs. 9.8. This reflects the growth in shareholder value. During the period under review, the share price steadily rose from Kshs.119 in January 2010 to close at Kshs.167 per share as at 31st December 2010 – an increase of 40.3 %. Market Capitalization grew from Kshs.16.8 billion at the end of January 2010 to Kshs.26.2 billion in December 2010. The issued shares also increased from 142,610,520 shares to 157,118,572 shares of Kshs. 2.50 each following the issue of one bonus share for every 10 shares held which was effected in July 2010.The increase includes 247,000 ordinary shares given to staff as at 31st December 2010. The Company's shares are now registered at the Uganda, Tanzania and Rwanda bourses following the successful cross-listing exercise.

BUSINESS GROWTH

Our main printing press in Nairobi received a comprehensive overhaul to improve on the print quality of the newspapers and to bolster market arrival times. The installation of a new colour tower has provided additional colour capacity which is in great demand by advertisers and has enabled us to take advantage of the robust business environment. As stated in the 2009 report to you, Mwananchi Communications Limited acquired a new printing press that has helped the business grow. Our Uganda subsidiary, Monitor Publications Limited, is in the process of installing and commissioning a new printing press to improve competitiveness.

CORPORATE SOCIAL RESPONSIBILITY

The Board is committed to entrenching sustainability in the business through requisite operational standards, policies and regulations while ensuring that there are clear organizational targets in place for all employees. We have a vision and a desire to be a strong leader in this region in corporate citizenship. The Board will continue to safeguard the business through interaction with the Management while also creating an enabling environment for the business to thrive.

THE BOARD

The Group is fully committed to world class corporate governance practices and to this end, have complied fully with the Capital Markets Authority Guidelines on Good Corporate Governance Practices.

During the year in review, Prof. Olive Mugenda and Mrs. Zuhura Muro were appointed to the Board. Prof. Mugenda is the Vice Chancellor of Kenyatta University and she is a member of the Editorial and the Remuneration and Human Resources Committees. Mrs. Muro is the Chairperson of the Mwananchi Communications Board in Tanzania and is a member of the Remuneration and Human Resources Committee. I take this opportunity to welcome them to the Board and to contribute to the further success of the company.

FUTURE PROSPECTS

The year 2011 has started on a good footing and the Group's financial performance in the first quarter has been encouraging, whilst inflation fuelled by the weakening of the regional currencies and high fuel and energy costs will continue to adversely affect our operating costs and business performance. The Board is however cautiously optimistic that the results for the year will be good.

I wish to express my sincere gratitude to all the Board members and to the management and staff for their continued hard work and dedication to the success of the Group. To all our stakeholders, we cherish your business and continued support and we look forward to mutually beneficial business opportunities in 2011.

W D KIBORO
CHAIRMAN

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Blogs
Charles Onyango-Obbo
Here is a case for why riches can be bad and poverty very good for you

Taarifa ya Mwenyekiti

Nina fahari kutangaza Ripoti ya Mwaka na Taarifa ya Kifedha ya mwaka uliokamilikia tarehe 31 Desemba 2010. Ripoti hii inaadhimisha mwaka wa 37 wa kampuni ya Nation Media Group Limited kama kampuni iliyoorodheshwa kwenye soko la umma na inanipa furaha kuu ya kusema kwamba tumeendelea kufanikiwa katika utoaji wa thamani ya wenye hisa kama matokeo ya kifedha yaliyoimarika yanavyoonyesha na malipo ya mwisho na maalum ya mgao kwa wenye hisa yaliyopendekezwa.

W D Kiboro
Mwenyekiti

MAZINGIRA YA BIASHARA

Uchumi wa Kenya uliandikisha ukuaji mzuri kutokana hasa na mazingira thabiti ya uchumi mkuu. Kulingana na IMF, sekta za Kilimo, Ujenzi, utengenezaji bidhaa na fedha ziliendelea kuongoza katika ufufuaji wa uchumi ambao ulikua kwa asilimia 5.6 mwaka wa 2010.

Kiwango cha mfumko wa bei kilikuwa chini ya lengo la kipindi cha wastani cha asilimia 5 kilichowekwa na Benki Kuu, kilipofikia asilimia 3.09 mnamo Oktoba. Kupunguka huko kuliakisi kwa kiasi kikubwa kushuka kwa gharama ya mawasiliano katika mwezi huo, kutokana na gharama ya chini ya upigaji simu, hali iliyofuatia ushindani mkali kati ya wanaotoa huduma za simu.

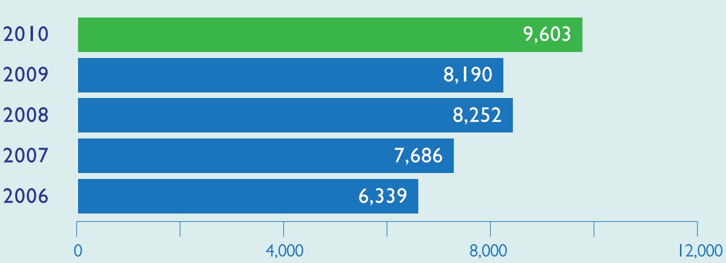
Uchumi wa Uganda ulikua kwa asilimia 6 mwaka wa 2010 kutokana na huduma na utengenezaji bidhaa. Uwekezaji nchini Uganda unakadiriwa kuongezeka karibu mara mbili hadi kufikia dola bilioni $3 mwaka 2011 kutokana na wawekezaji wa kigeni kuvutiwa na sekta yake ya mafuta. Kwa kuzingatia kiwango cha sasa cha uchimbaji pamoja na uvumbuzi wa majuzi, baadhi ya watafiti wanasema Uganda itaweza kuchimba karibia magudulia 150,000 kwa siku kufikia 2015, na kuiweka kati ya mataifa 50 bora katika uchimbaji mafuta.

Uchumi wa Tanzania ulibakia thabiti na katika mkondo wa kupata matokeo mema kutokana na kilimo, uuzaji katika nchi za kigeni na uchimbaji wa madini. Uzalishaji katika kilimo ulifaidika kutokana na hali nzuri ya hewa na bajeti iliyochochea uchumi. Hata hivyo, katika mwezi Agosti, mfumko uliongezeka zaidi ya makadirio ya kifedha ya asilimia 5 ulipofikia asilimia 6.6 kutokana na ongezeko la bei ya vyakula, mafuta, kawi na maji.

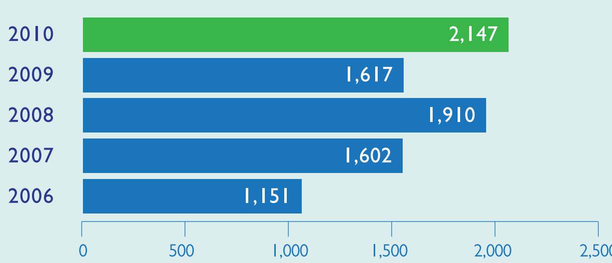
Uthabiti wa kisiasa kama ulivyoshuhudiwa katika uchaguzi wa amani nchini Tanzania na Uganda, uidhinishaji wa katiba mpya nchini Kenya na utekelezaji wake uliunda habari njema na mpya ambazo zilisaidia kuimarishaji usambazaji wa magazeti na mapato ya matangazo ya biashara.

Kwa jumla biashara iliathiriwa pakubwa na ongezeko la mfumko wa bei katika miezi minne ya mwisho ya 2010 uliosababishwa

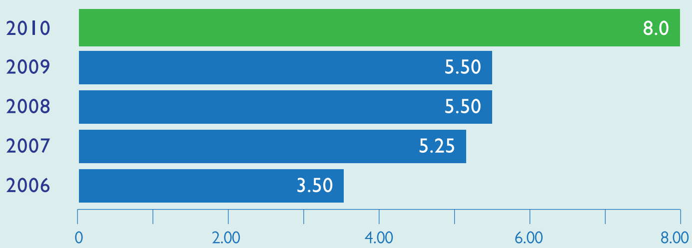
MAPATO YA JUMLA (KSHS M)



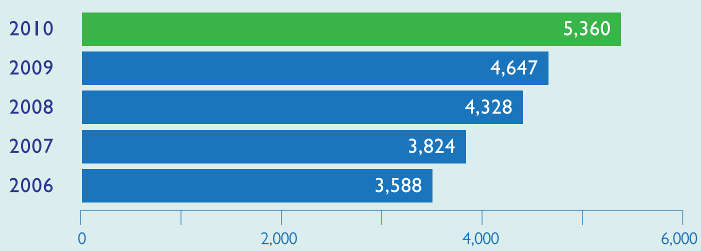
FAIDA KABLA YA USHURU (KSHS M)



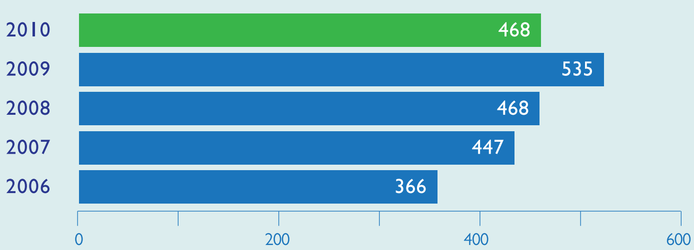
MGAO KWA KILA HISA (KSHS)



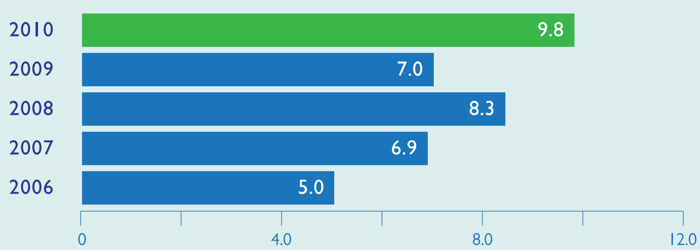
FEDHA ZA WENYEHISA (KSHS M)



MATUMIZI YA MTAJI (KSHS M)



MAPATO KWA KILA HISA (KSHS)



na mizozo katika mataifa kadha ya Uarabuni yanayochimba mafuta na kupelekea bei ghali za mafuta. Kuongezeka kwa bei ya uchapishaji habari na ongezeko la ushuru kadhalika kulisukuma bei ya bidhaa kufikia kiwango cha juu.

MATOKEO YA 2010

Nation Media Group ilipata matokeo bora ya kifedha katika mwaka uliomalizikia 31 Desemba 2010. Matokeo hayo yalizidi yale yaliyopatikana katika mwaka uliotangulia. Mapato ya jumla yaliongezeka kwa asilimia 17.2 hadi shilingi bilioni 9.6 huku faida ya jumla kabla ya ushuru ikiongezeka hadi shilingi bilioni 2.146 kutoka kwa shilingi bilioni 1.617 ikiwa ni (asilimia 32.7) zaidi ya mwaka uliopita. Matokeo hayo mazuri yanahusihwa na ukuaji katika mapato, kupanuka kwa mgao wa soko, kuokoa matumizi na gharama za pesa za bidhaa za uchapishaji wa habari na ongezeko la fedha za jumla kutoka kwa biashara changa na zile biashara zilizokuwa zikifanya vibaya hapo awali.

MIGAO

Wakurugenzi wakuu wameamua kutangaza mgao wa mwisho wa mwaka huo kuwa shilingi 4.00 (asilimia 160) kwa kila hisa kwa mtaji wa hisa zilizotolewa za 157, 118, 572 za kawaida za shilingi 2.50 kila moja. Kadhalika, kama sherehe za Maadhimisho ya Miaka 50, wakurugenzi wameamua kutangaza mgao mmoja maalum wa shilingi 2.50 (asilimia 100) kwa kila hisa. Malipo haya, pamoja na mgao wa muda wa shilingi 1.50 (asilimia 60) kwa kila hisa iliyolipwa hapo Septemba 2010 unafikisha malipo ya jumla ya mgao katika mwaka huo kuwa shilingi 8.00 (asilimia 320) kwa kila hisa (2009: asilimia 220).

BEI YA HISA

Katika mwaka huo unaochanganuliwa bei ya hisa iliinuka kwa kasi kutoka shilingi 119 kwa kila hisa na kufunga ikiwa shilingi 167 kwa kila hisa kufikia tarehe 31 Desemba 2010 – ongezeko la asilimia 40.3. Dhamani ya Hisa katika Soko ilikua kutoka shilingi bilioni 16.8 mwishoni mwa Januari 2010 hadi shilingi bilioni 26.2 mnamo Desemba 2010. Ongezeko la toleo la hisa kwa asilimia 10 kutoka 142,610,520 hadi 157,118,572 kufuatia toleo la bonasi ya hisa mnamo Julai mwaka wa 2010 zinazojumuisha hisa 247,000 zilizotunukiwa wafanyikazi waliokuwemo tarehe 31 Desemba 2010. Hisa za Kampuni hii sasa zimesajiliwa katika soko la hisa la Uganda, Tanzania na Rwanda baada ya kufanikisha shughuli ya uvukishaji wa hisa.

UKUAJI WA BIASHARA

Mtambo wetu mkuu wa uchapishaji habari jijini Nairobi ulifanyiwa mabadiliko makubwa ili kuimarisha ubora wa uchapishaji za magazeti na kuimarisha saa za kuwasili sokoni. Kuweka au kusimikwa kwa mnara mpya wa rangi kumewezesha uthabiti wa rangi ambao unahitajika sana na wenye matangazo ya biashara na umetuwezesha kunufaika na mazingira makubwa ya biashara.

Kampuni ya Monitor Publications Limited nchini Uganda itanunua na kuwekeza mtambo mpya wa uchapishaji magazeti ili kuwezesha vitengo vidogo kushindana kwa dhati katika soko. Awamu ya kwanza ya uundaji ilianza mnamo Machi 2011 na Awamu ya pili tayari imeidhinishwa.

JUKUMU LA KISHIRIKA KWA JAMII

Bodi hii imejitolea kuimarisha uthabiti wa biashara kupitia viwango vinavyofaa, sera na kanuni za uendeshaji wake huku ikihakikisha kuwa kunayo malengo dhahiri ya shirika yanayowekwa kwa wafanyakazi wote. Tunayo maono ya kuwa viongozi imara wa kutoa huduma za shirika kwa jamii katika ukanda huu. Tutaendelea kulinda biashara hii kupitia matazamio imara ya Bodi hii, huku tukiunda mazingira mazuri ya kustawi kwa biashara.

Bodi hii ina uzingativu wa kuunda misingi ya kuhimiza utendaji na utoaji thamani kwa shirika pamoja na jamii zake kadhaa kwa kuweka viwango vya kutathmini utendaji na malengo ya kiasi cha huduma katika shirika zima. Ugawaji wa rasilmali kwa mipango yetu ya huduma kwa jamii itaundwa kutokana na athari dhahania kwa jamii. Kufikia hapa Kampuni imetoa Ripoti Imara ya kando ya mwaka wa 2010 pamoja na ripoti. Mnamo 2011 utoaji ripoti utazingatia mbinu za viwango vya Nambapeo vya Kimataifa ili kuwezesha athari hii na ufanisi wa mipango.

BODI

Bodi hii imejitolea kwa dhati kutimiza mienendo ya kiusimamizi ya kimataifa katika shirika hili na kufikia hapa tumeitii kikamilifu masharti na Ushauri Nasaha wa Masoko ya Hisa kuhusu Mienendo ya Usimamizi wa Shirika.

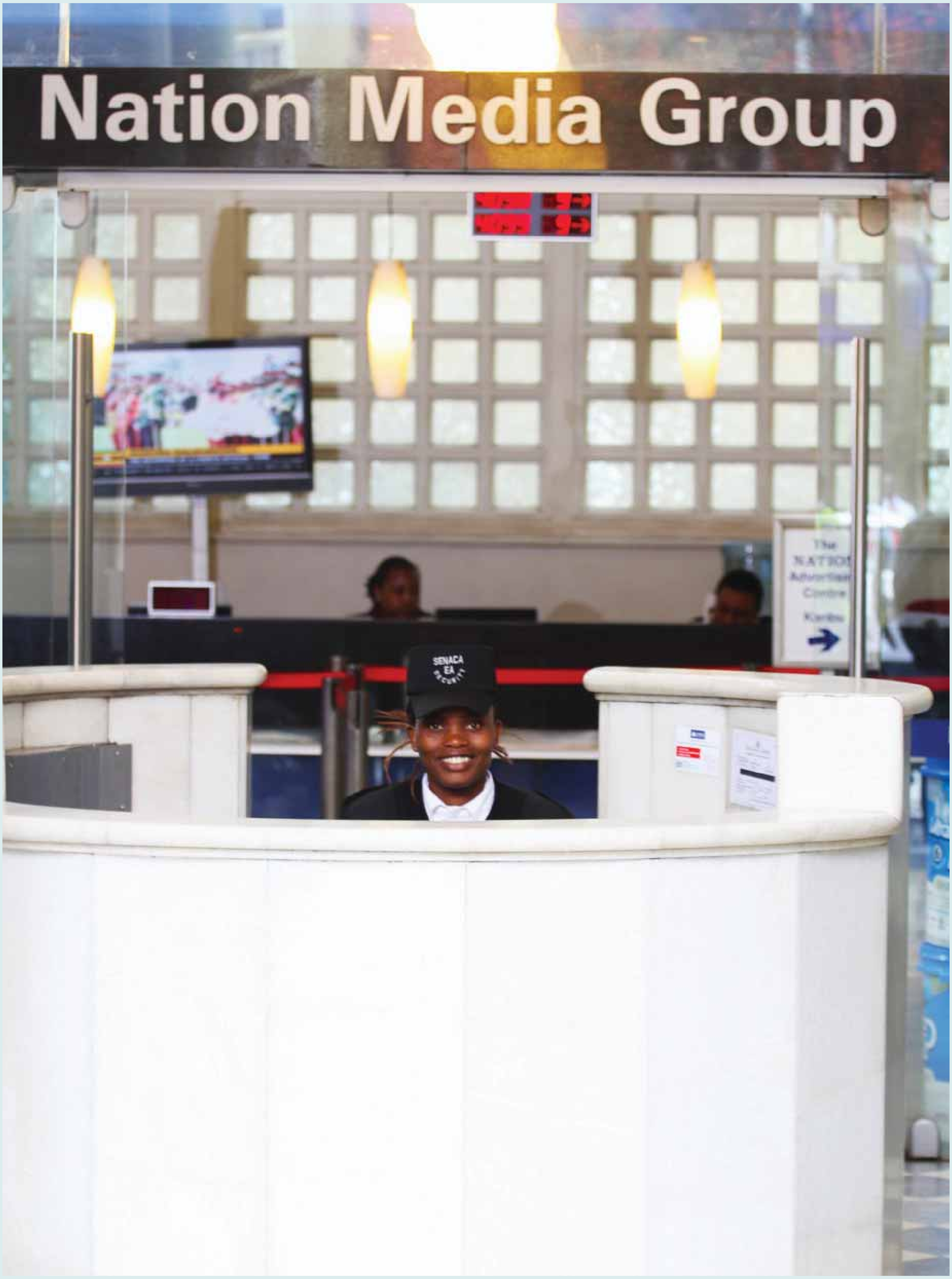
Katika mwaka huo, Prof. Olive Mugenda na Bi. Zuhura Muro waliteuliwa katika bodi. Prof. Mugenda ni Naibu Chansela wa Chuo Kikuu cha Kenyatta na pia ni mwanachama wa Kamati ya Uhariri, pamoja na Kamati ya Ujira na Usimamizi wa Wafanyakazi. Bi Muro ni Mwenyekiti wa Bodi ya Mwanachi Communications Ltd nchini Tanzania na pia ni mwanachama wa Kamati ya Ujira na Usimamizi wa Wafanyakazi. Ninachukua fursa hii kuwakaribisha wote katika Bodi hii na nina hakika watachangia pakubwa katika ufanisi zaidi wa kampuni hii.

MATARAJIO YA BAADAYE

Mazingira thabiti ya uchumi mkuu yatakuwa na athari kuu kwa biashara yetu. Misukumo ya mfumko, uthabiti wa siasa na uchumi katika eneo hili na ukuaji wa Mapato ya Jumla ya Nchi (GDP) eneo la Afrika Mashariki utakuwa na athari katika mikondo ya utumiaji pesa pamoja na uhitaji wa bidhaa zetu.

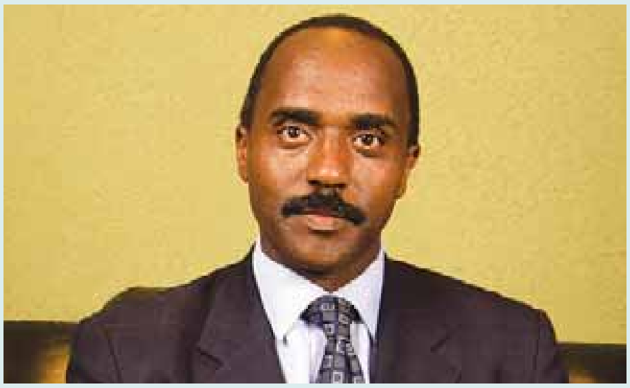
Japo mwaka wa 2011 umeanza kwa msingi thabiti ambapo matokeo ya Kampuni katika robo ya kwanza yanatia moyo, mfumko unaotokana na uhafifu wa sarafu za ukanda huu pamoja na bei ya juu ya mafuta na kawi utaendelea kuathiri gharama zetu na utaendelea kuwa tishio kwa biashara yetu katika siku kadha zijazo. Bodi hii inayo matumaini japo kwa makini kuwa matokeo ya mwaka huu yatakuwa mazuri. Ningependa kutoa shukrani zangu kwa wanachama wote wa bodi na wasimamizi pamoja wafanyakazi kwa jitihada zao za kila mara na kujitolea kuhakikisha ufanisi wa Kampuni. Kwa wenye hisa wetu na washikadau wote tunapenda biashara yenu na msaada wenu imara na tunatazamia biashara yenye nafasi za manufaa kwetu sote katika mwaka wa 2011.

W D KIBORO
MWENYEKITI


Nation Media Group
SENACA EA SECURITY

Group Chief Executive's Report

I am delighted to present the Company's results for the year ended 31st December 2010. Despite the unpredictable prevailing economic conditions and the highly competitive environment that we operate within, we have continued to improve on both the revenue generated as well as on the realized profit before tax.



L W Gitahi
Group Chief Executive Officer

2010 was a particularly good year for NMG as our overall performance indicated a strong rebound after a slowdown in 2009. We commemorated our 50th Anniversary in spectacular fashion and rounded up the year as the winners of the Kenya Institute of Management's Company of the Year Awards (COYA). We were also feted with the COYA Leadership and Management Award and the CEO of the Year Award. The awards were based on the Organizational Performance Index (OPI) that measures Kenya's top companies' focus on business planning, implementation and transformation. I take this opportunity to express my gratitude to all our staff, without who we would not have achieved these awards.

OPERATING ENVIRONMENT

The East African economy was adversely affected by the increasing costs of raw materials and inputs including oil, energy and newsprint prices. These remain a cause for concern as the effect of an upward trend could adversely impact on our business in the short to medium term. We have re-evaluated Group-wide risks and recommended suitable countermeasures. Going forward, we will continue to optimize stable operations as a top priority.

NMG continues to strengthen itself for future growth. In line with our medium term business plan, I am proud to say we are on course. In East Africa, we advanced measures to take advantage of the markets with the installation and commissioning of a new printing press in Tanzania, product development and repackaging including: **The Citizen, The East African, DN2** and **Mwananchi** newspapers. These

WORK ENVIRONMENT

improvements have seen our business capitalize on growth opportunities for long-term sustainability. We continue to pursue broadcasting and digital media growth in the region and expect that these investments will gain traction and deliver the expected returns. The investments being made in the new media are a key ingredient necessary for safeguarding market leadership in a transformed media landscape.

FINANCIAL AND OPERATIONAL PERFORMANCE

As you will note from the detailed accounts and financial statements, our profit before tax increased by 32.7% from Kshs. 1.6 billion in 2009 to Kshs. 2.1 billion in 2010, propped up by good advertising and circulation revenues as well as favourable newsprint prices.

Turnover increased by 17.2% to Kshs. 9.6 billion from Kshs. 8.2 billion in 2009 due to significant increase in advertising revenue by the Nation Newspapers Division which was up 20%. NTV Kenya and Uganda revenues were up 51% and 34% respectively. NND's improved results were as a result of product redesigning that met consumer requirements and the refurbishment and upgrades of the press at the Nairobi printing facility. A new printing press for Mwananchi in Tanzania improved the printing quality and enhanced the colour capacity of our products. NTV, on the other hand, generated high programme viewership ratings coupled with significant market share growth.

A large proportion of our capital expenditure in 2010 was used for the refurbishment of our printing press infrastructure, support towards distribution and investments in the broadcasting and digital media.

NND's performance continued to improve with operating profits up 28% following strong growth in both advertising and circulation, as a result of increased confidence across all economic sectors. The Daily Nation received a facelift and a new pullout, DN2, was introduced to attract a younger and more diversified readership, as well as drive strong content delivery. The EastAfrican was up 13% and 11% on advertising and circulation revenues respectively, a strong result following the revamping of the publication and the launch of a Rwanda edition to shore up sales and build product appeal in that market. The Business Daily continues to grow in strength and influence in the business sector. The papers online presence grew by 49% in page views, while the circulation and advertising revenues grew by 11% and 21% respectively. Several initiatives have been implemented to improve Nation Marketing and Publications operational performance. These include acquisition of new magazine titles, enhanced subscription sales and change in the distribution model. This should see better performance in the coming year.

In the broadcasting business, we faired well with Easy FM, QFM and KFM respectively chalking up 65%, 161% and 6% growth on operating profits over the preceding year. The QFM story is phenomenal as the station is Kenya's fastest growing Kiswahili radio station. But perhaps the biggest news is the turnaround of NTV in Kenya and Uganda with both gaining in high programme ratings and viewer market share growth. NTV Kenya and Uganda respectively delivered a 131% and 142% growth on operating profit.

The Nation Digital Division's operations continue to be adversely affected by revenue shortfalls due to a slow uptake of products and the fragmentation of the digital advertising landscape. The N-Soko digital classified product provides opportunities to advertise jobs, tenders, properties and motor vehicles. We expect to see a turnaround in the near future as the investments already made begin to pay off and we start generating revenue from the audiences that our website platforms have attracted. The Africa Media Operations, the forerunner in our quest of becoming the 'Media of Africa for Africa', has seen a healthy increase in webpage views and the site continues to attract many readers with an interest in African issues. Social media is helping the site to draw higher numbers of visitors via a dedicated Facebook site. Our focus remains on generating revenue and cost optimization.

Nation Carriers Division continues to sustain good performance as we concentrate on attracting new courier clients to drive revenues. The division's performance was boosted by savings on direct costs attributed to reduced fuel consumption as a result of route rationalization and fuel usage control.

Monitor and Mwananchi our flagship subsidiaries in Uganda and Tanzania respectively, continue to grow. Mwananchi in particular achieved a 124% operating profit in 2010. The installation of a new press in Tanzania improved product quality, market arrival times and expanded colour capacity which resulted in exceptional advertising and consistent circulation revenues. A new printing press is being installed at the Monitor in Uganda. It is envisioned that it will provide a similar advantage to the business.

CORPORATE SOCIAL RESPONSIBILITY

NMG demonstrated strong commitment to the community in 2010. This commitment was focused in the areas of Education, Health, Environment and Community sponsorship. This was after the realization that Corporate Social Investments and Citizenship programmes had to be implemented more strategically. This effort allowed for NMG's involvement in projects with a large footprint and greater impact at a national level.

During the year under review, our projects were managed by a Corporate Citizenship and Environment Policy that gave guidelines on core objectives, oversight, project selection, planning, monitoring and evaluation with an emphasis on delivering an annual social accountability report showing the investment / cost benefit analysis. To this end, the Company has released a separate Sustainability Report accompanying this report. In 2011, the sustainability reporting will assume the Global Reporting Index methodology to enhance the impact and efficacy of our programmes.

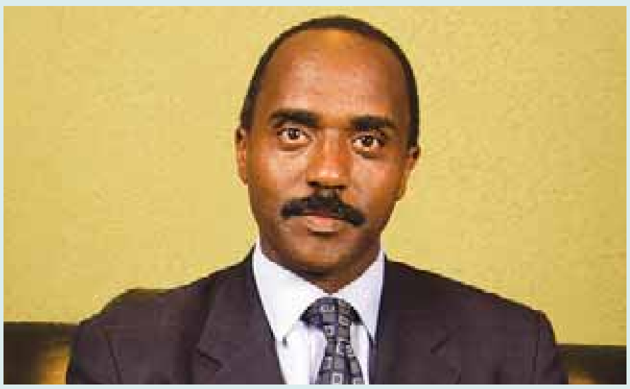
PEOPLE

Our corporate culture transformation programme has been ongoing for three years and its positive outcome is evident in enhanced staff engagement and empowerment, openness in giving feedback and making suggestions on business improvements. Evaluation results continue to indicate remarkable improvement; as at present, seven of the issues identified by the staff as 'must do' or 'must stop doing' have been fully addressed while the remaining issues are at tolerable but reducing levels. The programme was further enhanced by a celebration and recognition of the true culture champions among members of staff in the four quarters in 2010. This successful programme is now being replicated at MPL, where all staff members have been taken through the personal empowerment programme. There are plans to fully roll out the rest of the programme by the end of 2011.

L W GITAHI
GROUP CHIEF EXECUTIVE OFFICER

Ripoti ya Afisa Mkuu Mtendaji wa Kampuni

Nachukua fursa hii kuwatangazia mapato mazuri kufikia 31 Desemba 2010.Licha ya hali za kutamausha za kiuchumi zilizopo kwa sasa pamoja na mazingira ya ushindani yanayohusiana na uendeshaji wa biashara zetu, tumezidi kuimarika katika mapato yaliyopatikana pamoja na faida iliyopatikana kabla ya kutozwa ushuru.



L W Gitahi
Afisa Mkuu Mtendaji

Mwaka 2010 ulikuwa wenye fanaka kwa NMG kwa sababu matokeo yetu kijumla yalionyesha kujinyanyua baada ya kusepetuka mnamo mwaka wa 2009. Tuliadhimisha mwaka wetu wa 50 wa utendakazi kwa fahari kuu na maonyesho kama tulivyofikia upeo wa matokeo na kufunga mwaka kwa kuteuliwa na Taasisi ya Kenya Institute of Management kama Kampuni ya Mwaka yenye Usimamizi Bora wa Kiushirika. Kadhalika, tulishinda Tuzo ya Uongozi na Usimamizi Bora pamoja na Tuzo ya Mkurugenzi Mkuu Bora wa Mwaka. Tuzo hizo ziliegemea viwango vya Nambapeo vya Kiutendakazi wa Shirika (OPI) vilivyopima uzingativu wa mpangilio wa biashara, utekelezaji na mageuzi miongoni mwa kampuni kuu za Kenya. Ninachukua fursa hii kutoa shukrani zangu kwa wafanyakazi wetu wote, ambao bila jitihada zao hatungefanikiwa na hata kupewa tuzo hizi.

MAZINGIRA YA UTENDAKAZI

Uchumi wa Afrika Mashariki uliathirika pakubwa na ongezeko la gharama za malighafi na pembejeo ikiwemo, mafuta, kawi na gharama za uchapishjia habari. Hali hii inazua changamoto kwani mkondo huu wa kufumka kwa bei unaweza kuathiri vibaya biashara yetu katika kipindi kifupi na wastani. Tumetathmini upya hatari pana za Kampuni na kupendekeza mbinu za kukabiliana nazo. Tunapoendelea kutekeleza wajibu wetu, tutajitahidi ili kuendelea kuzingatia utendakazi thabiti kama kipaumbele. Licha ya matukio haya, NMG imeendelea kujiimarisha tayari kwa ustawi wa siku zijazo. Kulingana na mpango wa kipindi-wastani

UTENDAKAZI

wa biashara yetu, nina fahari kusema kuwa tuko katika mkondo mzuri. Katika Afrika Mashariki, tulipanua mbinu za kuingia masoko yaliyoko kwa kuunda na kuidhinisha mtambo mpya wa kuchapisha nchini Tanzania, ustawishaji bidhaa na njia mpya ya kufungasha bidhaa hizo, mpango huu ukihusisha; magazeti ya The Citizen, The East African, DN2 na Mwananchi. Uimarishaji huu umepelekea biashara yetu kunufaika na nafasi thabiti za ustawi kwa kipindi kirefu cha maendeleo-endelevu.

Tunaendelea kuandama maendeleo katika utangazaji na uwanahabari wa ukuaji wa mfumo wa kudolesha (digital media) na kupelekea ubora wa biashara kwenye ukanda huu pamoja na kutarajia kuwa uwekezaji huu utavutia na kutupa matokeo yanayotarajiwa. Uwekezaji huu unaofanyika katika mbinu mpya za uwanahabari ni kiungo muhimu cha kutunza uongozi wetu katika soko kwa mtindo wa uwanahabari wenye mageuzi.

MATOKEO YA KIFEDHA NA UTENDAKAZI

Kama mtakavyosoma kwenye jedwali la mahesabu ya kina na ripoti za kifedha, faida yetu kabla ya ushuru iliongezeka kwa asilimia 32.7 kutoka shilingi bilioni 1.6 mnamo 2009 hadi shilingi bilioni 2.1 katika mwaka 2010, matokeo yaliyotokana na matangazo bora ya kibishara na mapato ya usambazaji magazeti pamoja na bei nzuri za uchapishaji magazeti.

Mauzo ya pamoja yaliongezeka kwa asilimia 17.2 hadi kufikia shilingi bilioni 9.6 kutoka shilingi bilioni 8.2 mnamo 2009 kutokana na ongezeko zuri katika mapato ya matangazo ya biashara kwenye Kitengo cha Magazeti ya Nation (NND) lililoongezeka kwa asilimia 20. Mapato ya NTV Kenya na Uganda yaliongezeka kwa asilimia 51 na 34 mtawalia. Matokeo bora ya NND yalitokana na usanifu mpya wa bidhaa ambazo ziliyakidhi mahitaji ya wateja na ukarabati pamoja na uimarishaji wa mitambo ya uchapishaji mjini Nairobi. Mtambo mpya wa uchapishaji wa Mwananchi nchini Tanzania uliimarisha ubora wa uchapishaji na uthabiti wa rangi za bidhaa zetu. Kwa upande mwingine, NTV ilivutia viwango vikubwa vya utazamaji wa vipindi kwa pamoja na ukuaji wa mgao wetu sokoni.

Kiasi kikubwa cha uwekezaji kilitumika katika ukarabati wa miundo msingi yetu ya mtambo wa uchapishaji habari, msaada wa usambazaji na uwekezaji katika vyombo vya utangazaji na vile vya mfumo wa kudolesha (digital media).

Matokeo ya NND yalizidi kuimarika huku faida ya kuendeshea biashara ikiongezeka kwa asilimia 28 kufuatia ukuaji mkubwa katika matangazo ya kibiashara na usambazaji wa magazeti, hali iliyotokana na ongezeko la imani ya wateja katika sekta zote za uchumi. Gazeti la Daily Nation lilipata sura mpya pamoja na jarida jipya la DN2 lililoanzishwa ili kuvutia wasomaji wachanga na kuwapa usomaji wa kina, pamoja na uwezeshaji wa uandishi thabiti wa habari. The East African, liliimarika kwa asilimia 13 na 11 katika mapato ya matangazo ya biashara na usambazaji wa magazeti mtawalia, yakiwa matokeo mazuri kufuatia uimarishaji wa magazeti yetu pamoja na uzinduzi wa toleo la Rwanda ili kuongeza mauzo na kuimarisha mvuto wa bidhaa katika soko. Gazeti la Business Daily linaendelea kukua na kupata masoko bora katika sekta ya biashara. Uwepo wa gazeti hilo katika mtandao uliongezeka kwa asilimia 49 kwa viwango vya usomaji wa kurasa huku mapato ya usambazaji na matangazo ya kibiashara yakikua kwa asilimia 11 na 21 mtawalia. Jitihada kadhaa zimetekelezwa ili kuimarisha matokeo katika uendeshaji wa Mauzo ya Nation na machapisho yake, ambayo yanajumuisha; ununuaji wa majarida mapya, malipo ya mauzo yaliyoimarishwa na mabadiliko katika usambazaji. Hili linafaa kupelekea matokeo makubwa kufikia mwaka ujao.

Katika kitengo cha biashara ya utangazaji, tulifanya vyema kwani idhaa za Easy FM, QFM na KFM mtawalia ziliandikisha ukuaji wa asilimia 65, 161 na 6 kwenye faida za uendeshaji biashara katika mwaka uliofuatia. Tukio la QFM ni la kipekee na imetokea kuwa kituo cha Kiswahili nchini Kenya kinachokua kwa kasi zaidi. Hata hivyo, habari nzuri na za kuridhisha zaidi ni mabadiliko katika NTV- Kenya na NTV-Uganda mtawalia zilifanikiwa na kupata ukuaji wa asilimia 131 na 142 katika faida ya uendeshaji biashara. Biashara za Kitengo cha Udoleshaji cha Nation, yaani (Nation Digital Division), kinaendelea kuathirika kwa upungufu unaotokana na uhaba wa ujasiriamali na uelewa wa bidhaa na mgawanyiko wa kitengo cha matangazo ya biashara ya udoleshaji. Matangazo ya bidhaa za udoleshaji katika N-Soko yanatoa fursa ya kutangaza nafasi za kazi, zabuni, nyumba na magari. Tunatarajia kushuhudia mabadiliko katika muda mfupi ujao ambapo uwekezaji uliofanywa utakapoanza kuzaa matunda na tunapofanya udadisi wa fedha ambazo wateja wetu wanazielekeza katika upeo mpya wa biashara zetu. Uendeshaji wa Chombo cha Habari cha Afrika (Africa Media Operations), ikiwa mjumbe wetu katika jitihada za kuwa 'Chombo cha Habari cha Afrika kwa Manufaa ya Afrika (Media of Africa for Africa)', umeshuhudia ongezeko thabiti la usomaji wa kurasa kiwamboni na tovuti hiyo inaendelea kuvutia wasomaji wengi wenye mvuto katika masuala ya Afrika. Vipasha Habari vya Kijamii vinasaidia mtandao huo kuvutia idadi kubwa ya wageni kupitia tovuti ya Facebook. Dhamira yetu inasalia kuwa upataji mapato na matumizi ya hali ya juu.

Kitengo cha Nation Carriers kinaendelea kuthibiti matokeo mazuri wakati huu tunapozingatia uvutiaji wa wateja wapya ili kuimarisha mapato. Matokeo ya kitengo hicho yaliwezeshwa kwa mbinu ya uokoaji pesa katika gharama za moja kwa moja zinazohusishwa na kupungua kwa matumizi ya mafuta kunakotokana na upunguzaji wa miendo ya magari na uthibiti wa matumizi ya mafuta.

Kampuni za Monitor na Mwananchi ambayo ni vitengo vyetu vilivyo Uganda na Tanzania mtawalia, yanaendelea kukua. Mwananchi hasa ilifikia faida ya uendeshaji ya asilimia 124 mnamo 2010. Kununuliwa kwa mtambo mpya wa uchapishaji nchini Tanzania kama ilivyotarajiwa uliongeza ubora wa bidhaa, ufikaji sokoni kwa wakati mzuri na uimarishaji wa rangi uliopelekea matangazo ya biashara ya kipekee na uthabiti katika mapato ya usambazaji. Mtambo mpya wa uchapishaji unaendelea kuundwa katika Monitor nchini Uganda. Inatazamiwa kuwa italeta manufaa kama hayo katika biashara hii.

WAJIBU WA SHIRIKA KWA JAMII

NMG ilipata sifa thabiti ya kujitolea kwa jamii mnamo 2010. Kujitolea huku kulielekezwa katika fani za Elimu, Afya, Mazingira na Ufadhili wa Jamii. Hii ilikuwa baada ya kugundua ya kwamba uwekezaji katika Huduma kwa Jamii na mipango ya Uraia ilifaa kuwekewa mikakati hasa katika usambazaji wa rasilmali. Jitihada hizi ziliwezesha na kuifanya kampuni ya NMG kujishughulisha pakubwa katika miradi hii ili kuwa na mashiko na kusikika nchini kote.

Katika mwaka unaochanganuliwa, miradi yetu ilisimamiwa na sera za Uraia wa Shirika na ile ya Mazingira ambayo ilitoa mwongozo wa malengo makuu, maono, uteuzi wa miradi, mpangilio, ufuatiliaji na tathmnini huku ikifanya msisitizo kuhusu kutolewa kwa ripoti ya mahesabu ya kijamii inayoonyesha uchanganuzi wa uwekezaji/ manufaa yanayotokana na gharama. Kufikia hapa, Kampuni hii imetoa Ripoti tofauti ya Uendelevu ya pamoja na ripoti hii. Katika mwaka wa 2011 utoaji wa ripoti za kiuendelevu utaiga mbinu ya Utoaji Ripoti kwa Viwango vya Kimataifa (Global Reporting Index) ili kuimarisha mashiko na uthabiti wa mipango yetu.

WAFANYIKAZI

Mpango wetu wa mabadiliko ya tamaduni za kibiashara umekuwa ukiendelea kwa miaka mitatu sasa na matokeo yake mazuri yanaonekana katika upatianaji mamlaka na ushirikishwaji wa wafanyakazi, uwazi katika kutoa majibu na kutoa mapendekezo kwenye uimarishaji wa biashara. Matokeo ya tathmini yanaendelea kuonyesha ufanisi mzuri; kwa sasa, masuala saba kati ya yaliyotambuliwa na wafanyikazi kama yanayofaa kutekelezwa au yasiyofaa kutendwa yameshughulikiwa kwa ukamilifu huku mengine yaliyosalia yamefika katika viwango vinavyoridhisha vya utatuzi. Mpango huo kadhalika uliwezeshwa kwa sherehe na utambuaji wa viongozi na vinara wa kweli waliochangia pakubwa katika ukuzaji wa desturi na kanuni za utendakazi bora za NMG katika robo nne za mwaka 2010. Mpango huu uliofaulu kwa sasa unaendelea kuigwa katika kampuni yetu ya MPL, ambapo wafanyikazi wote wamepitia mipango ya upatiwaji wa mamlaka ya kujimiliki kibinafsi. Kuna mipango kabambe ya kuzindua miradi na mipango mingine iliyosalia katika mwaka wa 2011.

L W GITAHI
AFISA MKUU MTENDAJI WA KAMPUNI

Corporate Social Responsibility

NMG seeks to position itself as a responsible force for progress in our communities: journalistically, philanthropically and as an employer

In the review year, our projects were managed by a Corporate Citizenship and Environment Policy which gave guidelines on core objectives, oversight, project selection, planning, monitoring and evaluation with an emphasis on delivering an annual social accountability report showing the investment / cost benefit analysis.

To this end, the Company has released a separate 2010 Sustainability Report with this report. In 2011 sustainability reporting will assume the Global Reporting Index methodology to enhance impact and programme efficacy. The following are the highlights of our activities in 2010.

NMG COMMUNITY WEEK

Held in the month of October, the community week gave NMG staff, their families and the general public in Kenya, Uganda and Tanzania an opportunity to be part of staff led group wide corporate responsibility and investment activities. Staff selected their own projects, fundraised for them and then received a shilling for shilling match from the Company. A total of Kshs.1.2 Million was raised by the staff and deployed to community projects. This effort benefited communities as far away as Tana River Basin, Kisumu Rural, Laikipia and deep in Nairobi's Kibera and Mathare Slums.

HEALTH

Increasing access to healthcare for needy communities remained a key focus area for our corporate citizenship agenda in 2010.

Through our continued partnership with AMREF, we provided direct medical care to over 6,000 patients in Kibarage, Loresho, Mavoko and Athi River.

NMG also provided financial and material support that enabled medical attention to be given in Nyeri, Mombasa, Tana River, Kisumu and Bondo. The medical camps hosted by AMREF's Virtual Nursing School (AVNS) were also geared towards equipping trainee nurses with skills in community health care, a key component of their professional practice.

The primary purpose of the camps was to help individuals and the target communities to develop knowledge, skills and motivation to take charge of their health. Medical camp activities included screening and treatment for diseases, family planning services, cervical cancer screening, immunization of

COMMUNITY WEEK - EASY FM

HEALTH - PINK PROJECT

ENVIRONMENT - SAVE THE MAU

CORPORATE SPONSORSHIP - BAHARI GIRLS

expectant mothers and children under the age of five years, donation of treated mosquito nets, nutritional counseling, health education and environmental clean-up.

NMG also partnered with the Aga Khan hospital on the NMG's Pink Project outreach program. The Pink Project is a Breast cancer awareness campaign geared to educate and inform Kenyans on the disease. It is primarily an outreach program that seeks to facilitate breast health care to the women in the rural areas who do not have a chance to get regular breast checks and treatment for this disease. In October, over 300 women were screened for cancer with many more receiving training on how to self examine themselves.

The project also held its first annual Pink Breakfast that was graced by Kenya's top corporate ladies, to seek for ways to avail cancer treatment and medical care. The project seeks to partner with various institutions to fundraise for breast cancer treatment targeting women who cannot afford the treatment. The Company also held various blood drives in Kenya and Uganda where more than 500 pints of blood were donated by the staff members.

At NMG, through the Human Resources Department, we have continually demonstrated our dedication to ensure that all our employees maintain a healthy work-lifestyle balance. The Company provided healthcare and counseling services which included components of wellness, communication and education about basic health check-ups and peer education on HIV / AIDS. Two health and wellness camps for staff members were held in 2010.

ENVIRONMENT

In 2010, our staff participated in various tree planting exercises and planted more than 200,000 seedlings countrywide under the 'Save the Mau Trust' and 'The Nairobi Green Line' Initiative. Save the Mau Trust is a concerted effort by the private sector to reclaim the Mau Ecosystem that was systematically plundered.

The Nairobi Green Line initiative is a Nairobi National Park based project that seeks to plant and grow a 30 km long, 50 m wide forest of indigenous trees from the Cheetah Gate in Athi River to the Carnivore Restaurant to protect the park from the impact of the ever growing Nairobi metropolis.

The Save the Mau Trust was allocated 1,200 hectares in Eburru Forest for rehabilitation. In the next 2 years, the project will plant 1,000,000 seedlings in the Mau and may expand this to 3,000,000 trees by 2014.

With the completion of the Aberdares Forest fence in 2009 through the concerted efforts of the Rhino Ark Trust Fund initiative, NMG continues to support environmental conservation by providing sustainable support for the preservation of Kenya's environment and natural resources through partnerships to grow forests, conserve biodiversity and reduce human-wildlife conflict. NMG is now partnering with other organizations to enhance Rhino Ark's prime forward conservation thrust – the comprehensive fencing of Mt. Kenya and Mt. Eburu in the coming year. Kshs.800M is required to fence nearly 400kms.

EDUCATION

Through its partnership with the Palmhouse Foundation, NMG enhanced its educational support by sponsoring 24 students in 2010. The sponsorship worth KShs.4.8 Million, finances the secondary education for needy and deserving bright students while mentoring them through life. In 2011, NMG will unveil its own scholarship and mentorship programme, "Get on the Bus", which is currently active in Uganda under the Monitor Excellence Programme.

The Monitor Excellence programme launched in 2009, supports 24 of Uganda's top post primary students every year from the four regions in Uganda. These students together with NMG's beneficiaries from the Palmhouse Foundation gained from an exchange tour programme at the Kenyan coast in December 2010. Apart from visiting Kenya for the very first time, a large number of the students on the trip gained from the exposure and the interaction with other students from East Africa. The exchange programme is an annual event that allows the students to visit countries and regions in East Africa.

The Newspapers in Education (NiE) programme continues to reach more schools in Kenya and Uganda. The programme in 2010 went into partnership with the Safaricom Foundation with the objective of promoting a reading culture and awareness of current affairs issues among primary school students in Kenya. The programme has benefitted 95 schools in marginalized areas of Kinango, Kilifi, Msambweni of the Coast Province and Wajir, Fafi and Garissa in North Eastern Province.

The NiE project has been received positively by students, teachers, parents and Ministry of Education officials in the areas that the programme is active. Through the programme, over 40,000 students now have access to newspapers and information on current affairs and have experienced a whole new dimension of learning.

COMMUNITY SPONSORSHIPS

NMG through various charitable sponsorships and donations provided assistance for various projects across the country in 2010.

PROJECT	KSHS
Tegla Loruope Peace Run	50,000
Heart to Heart Foundation	50,000
Nairobi Women's Hospital Fundraising Gala	100,000
Seed of Hope Community Entrepreneurship	100,000
Construction of the Laikipia District Community Library	150,000
Roho Kwa Roho Foundation towards children with mental Disability	100,000
Standard Chartered Marathon	60,000
Safaricom Lewa Marathon	394,320
Nairobi Greenline Project – Rehabilitation of the Nairobi National Park	100,000
Ndakaini UAP Marathon	100,000
Text Books donation to Bahari Special Girls School	50,000
Uzima Trust Fund: Feeding Programme for Children in Dandora Slums of Nairobi	50,000
Rotary Club of Langata	50,000
Born Free Foundation	50,000
Barclays Step Ahead	100,000
University of Nairobi Education Conference	100,000
Mwea Classic Marathon	100,000
Gerald Robarts Environment Painting Exhibition	100,000
ICPAK Donation to Nyumba ya Wazee & Mama Fatuma Children's Home	100,000
Nairobi Hospital Children's Heart Unit	100,000
Muraya Memorial Charity for Children with Celebral Palsy	50,000
Lions Club of Amagoro	50,000

FUTURE OUTLOOK

We have made significant progress in our sustainability performance which has brought us closer to various communities across East Africa. As our commitment grows, we now want to structure and formalize the way we administer and manage our social investment and citizenship programmes to create lasting bonds with communities and demonstrate that we can play our role as a responsible citizen of East Africa.

To attain this goal, NMG launched the NationLife: Our passion for Community, an initiative that communicates our passion and commitment to our communities. This is with a realization that Corporate Social investment and Citizenship programmes need to be more strategic in deploying resources. This effort will provide an opportunity for NMG's involvement in projects with a large footprint and impact at a national level.

The Company has released a separate 2010 Sustainability Report with this report. In 2011 sustainability reporting will assume the Global Reporting Index methodology to enhance impact and programme efficacy.

Human Resources

2010 was a remarkable year for NMG as we saw our business performance improve remarkably.

Throughout the year we held a range of activities to mark our 50th anniversary, involving staff from all markets as well as external stakeholders. In 2010, HR continued to support business goals through effective talent management and staff engagement across the Group.

THE NATION WAY

Our corporate culture transformation programme has been ongoing for three years now and its positive outcome is evident in enhanced staff engagement and empowerment, openness in giving feedback and making suggestions on improvements. Evaluation results continue to indicate remarkable improvement; presently, seven of the issues identified by the staff as 'must do' or 'must stop' doing have been fully addressed, while the remaining issues are at acceptable levels and reducing by the day. The programme is further enhanced by celebration and recognition of true culture champions each quarter. This successful programme is now being replicated in Uganda, where all staff have been taken through the personal empowerment programme, with plans to fully roll out the rest of the programme by the end of 2011.

TALENT MANAGEMENT

The following activities were put in place to support the identification and management of talent:

TALENT REVIEWS

The 2010 talent reviews were conducted across the Group and the outcomes have been implemented. This process continues to add value to our succession plans, with the exit of poor performers, facilitation of required skills while addressing the need for clear career paths.

LEADERSHIP DEVELOPMENT

NMG graduated a second group of 47 senior managers on completion of the one year Management Development Programme. The training addresses management facets including managing people, tasks, change, and self. This investment has clearly paid off, as positive feedback was received through the culture evaluation. This brings the total number of managers trained since 2008 to 82.

MEDIA LAB PROGRAMME

The journalist trainee programme has successfully graduated a total of 61 trainees since its inception in 2007. From this group, 10 graduates (5 coming from Kenya, 4 from MCL and 1 from MPL) have won world class awards such as the David Astor Journalism, Democracy and Human Rights and Best Journalist Awards since 2009. The 2011 class aims to focus specifically on business writing. We expect that this training will strengthen our focus on business news reporting across all the media platforms.

COYA AWARDS

NMG BLOOD DRIVE

NMG VIRTUAL ACADEMY

We have enhanced our HR processes by mainstreaming technology. In August 2010, we launched an e-learning modular training programme across the Group. We are offering over 500 online courses that focus on the organisation's key competence requirements such as the Journalism, Sales and Marketing, Customer Care, Leadership/Self Management and Project Management modules. The courses are open to all staff within the Group and each is required to have a minimum of 24 hours of training every year.

SALES ACADEMY

We started a sales academy in Uganda that is focusing on selling skills for our staff. The programme runs for one year and is tailored to allow class discussions and practical sessions. We have so far graduated 70 staff and are about to replicate the programme in other markets.

ENHANCING EFFICIENCY

After the successful roll out of e-leave in Kenya, Monitor Publications Limited in Uganda is now enjoying full benefits of using the electronic leave system which was fully rolled out in August. This system is expected to ease leave management and provide accurate data on leave balances for purposes of financial accruals. Removal of manual processes allows the HR team to concentrate on other crucial tasks. In 2011, we will roll out the system to Mwananchi Communications Limited in Tanzania.

We have recently introduced Smart Cards (biometric card reader) in Kenya to further automate the process of accessing medical services, as well as keep the costs within the approved limits.

STAFF WELLNESS PROGRAMMES:

In 2010, we held a one week staff wellness awareness programme across the Group to educate staff on the need for regular health checks, good nutrition, stress management, dangers of drug and substance abuse, as well as HIV and AIDS education. We also held free medical examinations that included BMI, Cholesterol, Blood Pressure, Breast Cancer screening and Pap Smear tests.

AWARDS AND RECOGNITION:

Our staff have been recognized as leaders and winners in various fields. This includes awards in:

- COYA Award – CEO of the year, Leadership and Management Award and Overall Company of the Year Award
- CNN African Journalist Award – Economics and Business, Televising News Bulletin, Sports and Environment Awards
- Kenya Media Network on Population and Development - Prize for the Best Print Journalist on Youth and Sex
- Kenya Premier League - Best Photographer 1st & 2nd Runners up
- Ministry of Rugby Elliptis Awards; Best Media Photographer and Print Writer
- Best Print Journalist in Population and Development
- Best Photographer - Friends of Earth International
- Best Male Radio Presenter - Pwani Awards
- Population Council of Kenya - Best coverage on population issues

Board of Directors / Halmashauri ya Wakurugenzi

W D KIBORO	Chairman (Kenyan)	Mwenyekiti (Mkenya)
L W GITAHI	Chief Executive/ Managing (Kenyan)	Mrasimu mkuu/ Msimamizi (Mkenya)
M J ALIKER	(Ugandan)	(Muganda)
D ALUANGA	(Kenyan)	(Mkenya)
R DOWDEN	(British)	(Mwingereza)
S GITAGAMA	(Kenyan)	(Mkenya)
L HUEBNER	(American)	(Muamerikani)
J LEE	(British)	(Mwingereza)
Y JETHA	(British)	(Mwingereza)
O MUGENDA	(Kenyan) (Mkenya)	Appointed 2 September 2010 Aliteuliwa 2 Septemba 2010
Z MURO	(Tanzanian) (Mtanzania)	Appointed 2 September 2010 Aliteuliwa 2 Septemba 2010
F O OKELLO	(Kenyan)	(Mkenya)
A POONAWALA	(Swiss)	(Muswiss)
G M WILKINSON	(Irish)	(Mwa-Irish)

SECRETARY/KATIBU
J C Kinyua

REGISTERED OFFICE/AFISI ILIOANDIKISHWA
Nation Centre, Kimathi Street
P O Box 49010 00100
Nairobi

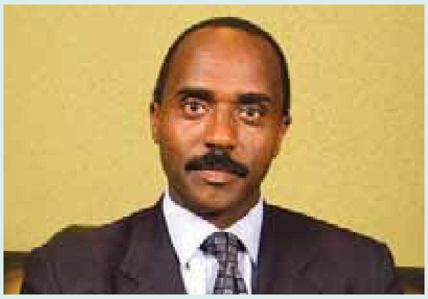
ADVOCATES/WAKILI
Kaplan & Stratton
George Williamson House
4th Ngong Avenue
Nairobi

AUDITORS/WAKAGUZI WA HESABU
PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
Nairobi

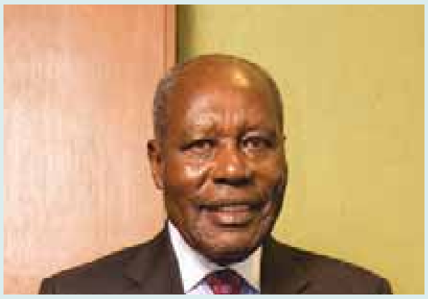
BANKERS/BENKI
Standard Chartered Bank of
Kenya Limited
Stanbank House
Moi Avenue
Nairobi

Board of Directors' Profiles

MR WILFRED KIBORO, 66, holds a Bachelor of Science (Civil Engineering) from the University of Nairobi. He retired as the Group Chief Executive Officer on 31st October 2006 after working for the Company for thirteen years. He was appointed a non-executive director in December 2006 and was elected the Chairman of the Board on 24th September 2009. He is a member of the Nominations Committee. Mr Kiboro is a director of East African Breweries Limited and the Chairman of Standard Chartered Bank Kenya Limited and also Wilfay Investments Limited.



MR LINUS GITAHI, 48, 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 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.



DR MARTIN ALIKER, 82, holds a Bachelor of Medicine (Dental) from Northwestern University, (USA). He is a retired Dental Surgeon based in Uganda and joined the board in June 2001. He is the Chairman of the board of Monitor Publications Limited, Heritage Oil and Gas Company Limited, National Insurance Corporation and Hima Cement Limited all in Uganda. He is a member of the Strategic Planning Committee.

MR DENNIS ALUANGA, 43, holds an MBA from the University of Edinburgh (United Kingdom) and is a Certified Public Accountant of Kenya. He was previously the Group Finance Director and subsequently the Chief Operating Officer of NMG before taking up a similar position at Industrial Promotion Services Group of Companies. He is a director of Property Development and Management Limited, an associate Company. Mr Aluanga chairs the Finance and Audit Committee and is a member of the Editorial Committee.

MR RICHARD DOWDEN, 61, 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 in the UK and is the author of the book Africa: Altered States, Ordinary Miracles which was published in 2008. He is a member of the Editorial and the Strategic Planning Committees.

MR STEPHEN GITAGAMA, 44, 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.

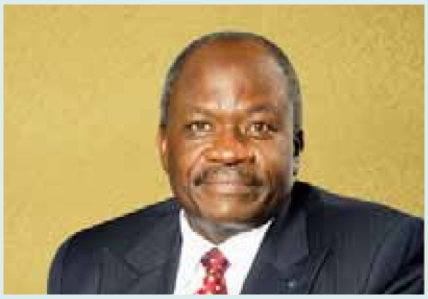
PROF. LEE HUEBNER, 70, holds a Ph.D and an MA from Harvard University and a BA from Northwestern Univerisity (USA) and is the Director of the School of Media and Public Affairs at The George Washington University in Washington, D.C. (USA). He was formerly a professor at Northwestern University and has also served as 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 Nominations Committee.

MR JAMES LEE, 68, holds an MBA from Harvard University (USA) and began his career as a Director of McKinsey & Company. He has since had a distinguished career with the international media. He was formerly CEO of the Pearson Group in the United Kingdom; Deputy Chairman of Yorkshire Television and Chairman of Goldcrest Films and TV. He was appointed to the board in December 2001. He chairs the Remuneration and Human Resources Committee and is a member of the Finance and Audit and the Strategic Planning Committees.

DR YASMIN JETHA, 58, holds a Master of Science in Management Science from Imperial College (London) and a Bachelor of Science in Mathematics from London University. She is a Fellow of the Chartered Institute of Management Accountants and was awarded an honorary Doctor of Laws degree by the University of Leicester (United Kingdom) in 2005. She is the Chief Information Officer at Bupa, a leading health service provider and was previously the Chief Operating Officer at the Financial Times (United Kingdom). Dr Jetha is a member of the Remuneration and Human Resources and the Strategic Planning Committees.

PROF. OLIVE MUGENDA, 56, 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 is a member of the Editorial and the Remuneration and Human Resources Committees.

MRS ZUHURA MURO, 50, 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 Chairperson 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 is a member of the Remuneration and Human Resources Committee.



MR FRANCIS OKOMO OKELLO, 61, holds a Bachelor of Laws Degree from the University of Dar es Salaam, Tanzania and is an Advocate of the High Court of Kenya, an Albert Parvin Fellow of Princeton University as well as a Fellow of the Kenya Institute of Bankers (FKIB). He is currently the Executive Director 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.

MR ANWAR POONAWALA, 64, 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 Remuneration and Human Resources Committees.

MR GERARD WILKINSON, 67, 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.

MR JAMES KINYUA, 47, (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 was appointed the Company Secretary in July 1998 and heads the Legal and Administration department. He is a director of the Group's subsidiary companies.

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2010, 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 Consolidated Statement of Comprehensive Income on page 43.

DIVIDENDS

The directors recommend the payment of a one off special dividend of Shs. 2.50 per share (100%) and a final dividend of Shs. 4.00 per share (160%) on the issued share capital at 31 December 2010, which together with the interim dividend of Shs. 1.50 per share (60%) paid on 30 September 2010, makes a total of Shs. 8.00 per share (320%) in respect of the year ended 31 December 2010 (2009: Shs. 5.50 per share) (220%).

DIRECTORS

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

Mrs Z Muro and Prof. O Mugenda were appointed to the Board on 2 September 2010 and both retire as directors in accordance with Article 96 of the Company's Articles of Association and being eligible, offer themselves for election.

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

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.

BY ORDER OF THE BOARD
J C KINYUA
SECRETARY
24 MARCH 2011

Taarifa ya Wakurugenzi

Wakurugenzi wana furaha kuwasilisha taarifa yao na ile iliyokaguliwa ya kifedha kwa mwaka uliomalizika Desemba 31, 2010, inayoonyesha jinsi ya Nation Media Group Limited (Kampuni) na washirika wake (Kundi) ilivyofanya.

SHUGHULI KUU
Shughuli kuu za Kundi la Nation ni uchapishaji, utoaji nakala na usambazaji wa magazeti na majarida, na utangazaji wa redio na televisheni, katika mataifa ya Afrika Mashariki ya Kenya, Uganda, Rwanda na Tanzania.

MATOKEO YA KUNDI
Matokeo ya Kundi kwa mwaka huo yanaonyeshwa vyema kwenye taarifa ndefu kuhusu mapato kwenye ukurasa wa 43.

MGAO
Wakurugenzi wanapendekeza malipo ya mara moja ya mgao maalum wa Shilingi 2.50 kwa kila hisa (asilimia 100) na mgao wa mwisho wa Shilingi 4.00 kwa kila hisa (asilimia 160) kwa hisa za kawaida kuambatana na mwaka uliomalizika Desemba 31, 2010, ambayo pamoja na mgao wa muda wa Shilingi 1.50 kwa kila hisa (asilimia 60) uliolipwa Septemba 30, 2010, inafanya kuwa jumla ya Shilingi 8.00 kwa kila hisa (asilimia 320) kwa mwaka uliomalizika Desemba 31 2010 ikilinganishwa na (2009: Shilingi 5.50 kwa kila hisa).

WAKURUGENZI
Maelezo kuhusu wakurugenzi walioshikilia nyadhifa mwaka huo na hadi tunaposoma taarifa hii, yanapatikana kwenye ukurasa wa 31.

Bi Z Muro na Prof. O Mugenda, waliteuliwa mnamo Septemba 2, 2010 na wanastaafu kuwa wakurugenzi kwa mujibu wa Kifungu cha 96 cha Sheria za Kiushirika za Kampuni na wana fursa ya kujiwasilisha upya kwa uchaguzi wa wakurugenzi.

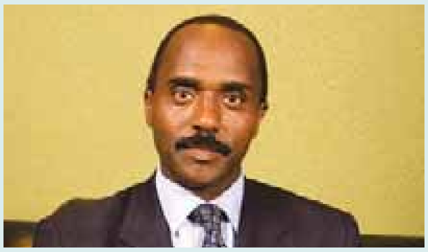
Bw F.O. Okello na Bw J.Lee, ambao ni mkurugenzi, anaostaafu kwa zamu ya kifungu cha 110 cha Sheria za Kiushirika za Kampuni na wana fursa ya kuingia ulingoni tena ikiwa wangependa kuteuliwa tena kama wakurugenzi.

Prof. L Huebner ni mkurugenzi anaostaafu kwa mujibu wa kifungu cha 101 cha Sheria za Kiushirika za Kampuni na amefikisha umri wa zaidi ya miaka 70. Bila kuzingatia hilo, achaguliwe tena kuwa mkurugenzi wa Kampuni kwa kipindi cha mwaka mmoja.

MKAGUZI WA FEDHA
Mkaguzi wa Fedha wa Kampuni, PricewaterhouseCoopers anasema angependa kuendelea kuhudumu kwa mujibu wa Sehemu ya 159 (2) ya Sheria za Kampuni (Cap 486) Sheria za Kenya.

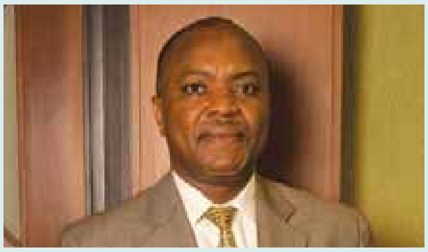
KWA IDHINI YA HALMASHAURI,
J C KINYUA,
KATIBU
24 MACHI 2011

Executive Team Profiles



MR LINUS GITAHI, 48, 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 Group's subsidiary companies and Property Development and Management Limited, an associate company.

MR STEPHEN GITAGAMA, 44, 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 THOMAS MSHINDI, 49, 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 IAN FERNANDES, 43, 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, 45, 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 AMREF and Faulu Kenya.

MR MICHAEL NGUGI, 46, has been 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 telecommunications, FMCG, petroleum sectors. Michael has previously held senior positions within the advertising and circulation functions in the Group.

MR JOSEPH ODINDO, 51, 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 alumnus of Harvard's General Management 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. He has in the past worked with The Standard and Stellavision.

MR DAVID MAINGI, 38, 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 an MBA Marketing and a MA Mass Communications from the University of Leicester, UK. He is also 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.

MR GEORGE RIOBA, 37, 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.

MR GABRIEL CHEGE, 37, is the Group Head of IT 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.

DR GITAHI GITHINJI, 40, has been the Managing Director at MPL in Uganda since September 2009. He holds an MBA from the United States International University majoring in Marketing and a Bachelor of Medicine and Surgery from the University of Nairobi. He joined the Group in August 2007 as General Manager, Marketing and Circulation after spending more than eight years in the medical and pharmaceutical industries.

MR VICTOR NGEI, 44, is the General Manager of the television operations. He holds a Bachelor of Education (Business) from Kenyatta University and is an alumnus 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 at its inception and subsequently to NTV in Nairobi. He oversees the NTV and e-Africa television stations.

MR SAM SHOLLEI, 50, is the Managing Director of Mwananchi Communications Limited, 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 2000 and previously headed the Business Development function. He has also served as the General Manager, Monitor Publications in Uganda.

MRS. ANN GITAO-KINYUA, 35, is the Group Head of Marketing. 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 JAMES KINYUA, 47, 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 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 JAPHET MUCHEKE, 43, 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 JOHN WILKINS, 43, is the General Manager – Radio Operations. He holds the Certificate of Power User of Radio Computing Services (RCS) Software, of which there are only two qualified holders in Africa. He joined the Group in 2007 and is responsible for the Easyfm and QFM radio stations. He has worked in the radio industry for 25 years with the BBC, Metro Radio Group, Capital Group and Sanyu fm (Uganda).

MR CHARLES MAYE, 40, is the General Manager – Innovation and Business Development. 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 alumnus of the London Business School's Advanced Management Programme.

Statement of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

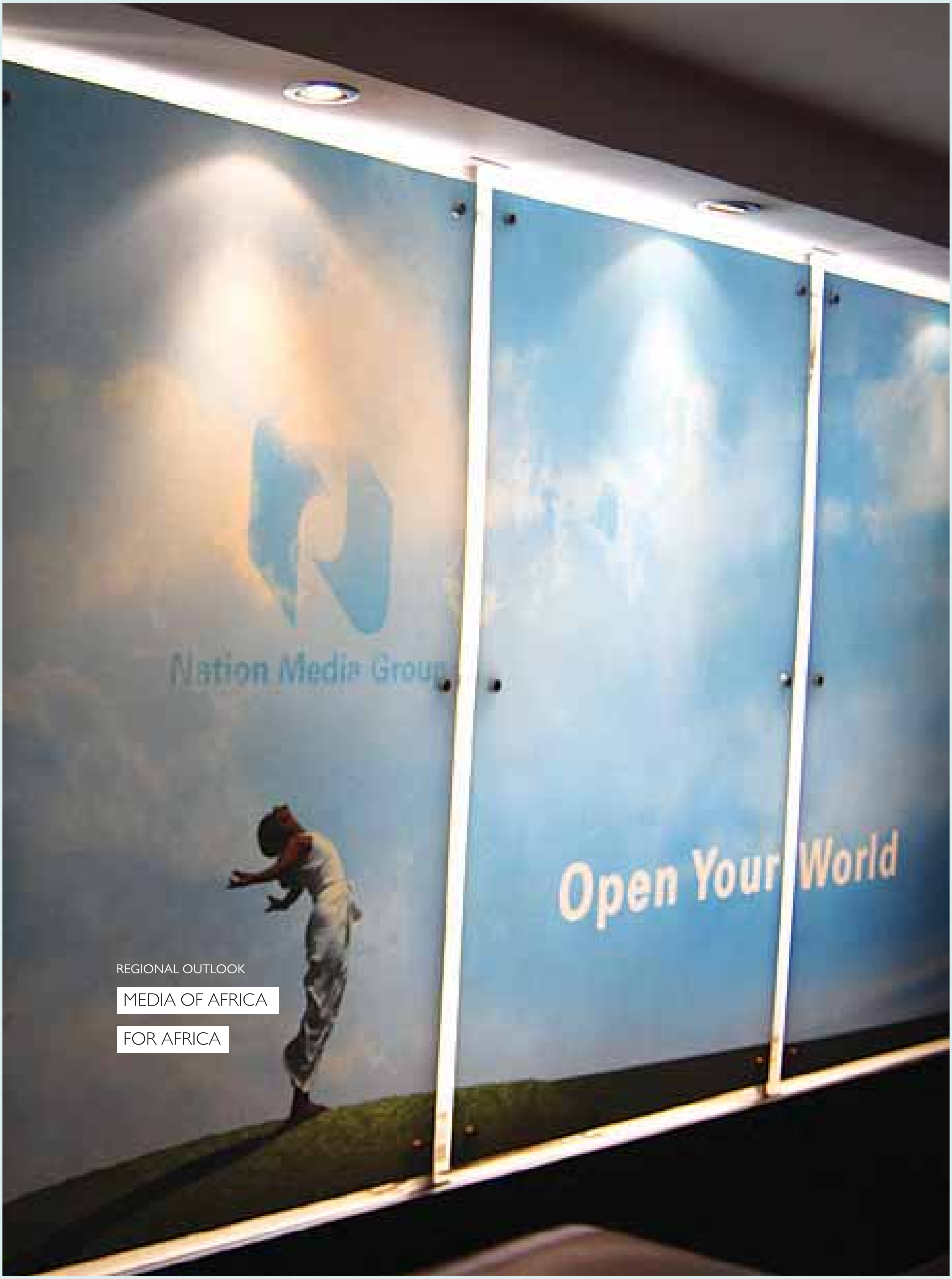
The directors accept responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies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

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

W D KIBORO

S GITAGAMA

24 MARCH 2011



REGIONAL OUTLOOK

MEDIA OF AFRICA
FOR AFRICA

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 43 to 76. These financial statements comprise the consolidated statement of financial position at 31 December 2010, 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 2010, 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 Kenya 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 financial affairs of the Group and of the Company at 31 December 2010 and of its 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
24 MARCH 2011

NAIROBI

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Note	2010	2009
		Shs m	Shs m
Revenue	5	9,602.5	8,189.8
Cost of sales		(2,056.5)	(2,050.9)
Gross profit		7,546.0	6,138.9
Other income	8	86.8	144.7
Distribution costs		(273.1)	(257.9)
Administrative expenses		(942.3)	(854.6)
Other expenses		(4,310.5)	(3,607.8)
Finance costs	8	(1.7)	(50.4)
Share of profit after income tax of associate	18	41.4	104.5
Operating profit		2,146.6	1,617.4
Income tax expense	9	(608.2)	(498.2)
Profit for the year(of which Shs 1,448.6 million (2009: Shs 1,000.4) has been dealt within the accounts of the company)		1,538.4	1,119.2
Other comprehensive income:			
Currency translation differences		(58.7)	(0.7)
Share of other comprehensive income from associate	18	34.8	1.2
Total comprehensive income for the year		1,514.5	1,119.7
Attributable to:			
Equity holders of the company		1,519.8	1,103.1
Non-controlling interest		(5.3)	16.6
		1,514.5	1,119.7
Basic and diluted earnings per share (Shs)	10	9.8	7.0

Statement of Financial Position
as at 31 December

	Note	Group 2010 Shs m	Group 2009 Shs m	Company 2010 Shs m	Company 2009 Shs m
CAPITAL EMPLOYED					
Capital and reserves attributable to equity holders					
Share capital	11	392.8	356.5	392.8	356.5
Other reserves	12	29.7	82.3	71.8	73.4
Retained earnings		3,916.4	3,637.3	3,790.3	3,633.4
Proposed dividends	24	1,021.3	570.4	1,021.3	570.4
		5,360.2	4,646.5	5,276.2	4,633.7
Non-controlling interest		61.9	67.2	-	-
Total equity		5,422.1	4,713.7	5,276.2	4,633.7
Non-current liabilities					
Long-term borrowings	13	-	27.6	-	-
Deferred income tax liabilities	14	-	61.7	-	61.7
		-	89.3	-	61.7
Total equity and non-current liabilities		5,422.1	4,803.0	5,276.2	4,695.4
Non-current assets					
Property, plant and equipment	15	1,893.3	1,882.1	1,298.9	1,233.8
Intangible assets	16	319.4	347.4	128.0	154.3
Prepaid operating lease rentals	17	86.8	90.2	49.3	50.0
Non current receivables	21	-	-	-	254.5
Investment in associates	18	529.6	458.9	94.6	94.6
Investment in subsidiaries	19	-	-	1,067.2	812.7
Deferred income tax assets	14	69.3	28.2	15.7	-
		2,898.4	2,806.8	2,653.7	2,599.9
Current assets					
Inventories	20	676.3	611.3	535.0	524.0
Receivables and prepayments	21	1,797.3	1,590.6	1,789.9	1,452.2
Cash and cash equivalents	22	2,603.2	1,473.5	2,439.9	1,378.0
Currrent income tax		-	90.2	-	106.6
		5,076.8	3,765.6	4,764.8	3,460.8
Current liabilities					
Payables and accrued expenses	23	2,449.2	1,712.6	2,056.6	1,365.3
Borrowings	13	21.3	55.1	-	-
Current income tax		82.6	1.7	85.7	-
		2,553.1	1,769.4	2,142.3	1,365.3
Net current assets		2,523.7	1,996.2	2,622.5	2,095.5
Net assets		5,422.1	4,803.0	5,276.2	4,695.4

The financial statements on pages 43 to 76 were approved for issue by the board of directors on 24 March 2011 and signed on its behalf by

W D KIBORO

S GITAGAMA

Consolidated Statement of Changes in Equity
for the year ended 31 December 2009

	Note	Attributable to equity holders of the company				Non-controlling interest	Total equity
		Share capital	Other reserves	Retained earnings	Proposed dividends		
		Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Year ended 31 December 2009							
At start of year		356.5	84.8	3,316.0	570.4	(13.1)	4,314.6
Total comprehensive income:							
Profit for the year		-	-	1,102.7	-	16.5	1,119.2
Other comprehensive income:							
Transfer of excess depreciation		-	(2.4)	2.4	-	-	-
Deferred tax transfer		-	0.7	(0.7)	-	-	-
		-	(1.7)	1.7	-	-	-
Currency translation differences		-	(0.8)	-	-	0.1	(0.7)
Share of other comprehensive income in associates	18	-	-	1.2	-	-	1.2
		-	(0.8)	1.2	-	0.1	0.5
Total other comprehensive income		-	(2.5)	2.9	-	0.1	0.5
Total comprehensive income for the year		-	(2.5)	1,105.6	-	16.6	1,119.7
Transaction with owners:							
Derecognition of non-controlling interest in subsidiary		-	-	-	-	65.3	65.3
Transactions with owners, recorded directly in equity							
Distributions to owners:							
Dividends:							
Paid by Monitor Publications Limited attributable							
to non-controlling shareholders:-							
- final proposed dividends for 2009		-	-	-	-	(1.6)	(1.6)
The Company:							
- final for 2008	24	-	-	-	(570.4)	-	(570.4)
- interim for 2009 paid	24	-	-	(213.9)	-	-	(213.9)
- proposed final for 2009	24	-	-	(570.4)	570.4	-	-
Total transaction with owners		-	-	(784.3)	-	63.7	(720.6)
At end of year		356.5	82.3	3,637.3	570.4	67.2	4,713.7

Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2010

	Note	Attributable to equity holders of the company				Non-controlling interest	Total equity
		Share capital	Other reserves	Retained earnings	Proposed dividends		
		Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Year ended 31 December 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 associates	18	-	-	34.8	-	-	34.8
Total other comprehensive income		-	(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	24	-	-	-	(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

Company Statement of Changes in Equity
for the year ended 31 December

	Note	Share capital Shs m	Other reserves Shs m	Retained earnings Shs m	Proposed dividends Shs m	Total Shs m
Year ended 31 December 2009						
At start of year		356.5	75.1	3,415.6	570.4	4,417.6
Profit for the year		-	-	1,000.4	-	1,000.4
Other comprehensive income:						
Revaluation gain		-	(2.4)	2.4	-	-
Deferred tax on transfer		-	0.7	(0.7)	-	-
		-	(1.7)	1.7	-	-
Total comprehensive income for the year		**-**	**(1.7)**	**1,002.1**	**-**	**1,000.4**
Transaction with owners:						
Dividends:						
- final for 2008 paid	24	-	-	-	(570.4)	(570.4)
- interim for 2009 paid	24	-	-	(213.9)	-	(213.9)
- proposed final for 2009	24	-	-	(570.4)	570.4	-
Total transaction with owners		**-**	**-**	**(784.3)**	**-**	**(784.3)**
At end of year		**356.5**	**73.4**	**3,633.4**	**570.4**	**4,633.7**
Year ended 31 December 2010						
At start of year		356.5	73.4	3,633.4	570.4	4,633.7
Other comprehensive income:						
Profit for the year		-	-	1,448.6	-	1,448.6
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)**	**1,450.2**	**-**	**1,448.6**
Transaction with owners:						
Bonus share issue						
To existing shareholders		35.7	-	(35.7)	-	-
To staff		0.6	-	(0.6)	-	-
	11	36.3	-	(36.3)	-	-
Dividends:						
- final for 2009 paid	24	-	-	-	(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 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**

Group Statement of Cash Flows

for the year ended 31 December

	Note	2010	2009
		Shs m	Shs m
Operating activities			
Cash generated from operations	26	2,904.0	2,087.5
Interest received	8	86.8	76.6
Interest paid	8	(1.7)	(50.4)
Tax paid		(539.9)	(594.3)
Net cash from operating activities		2,449.2	1,519.4
Investing activities			
Purchase of property, plant and equipment	15	(452.4)	(466.8)
Purchase of intangible assets	16	(15.2)	(68.4)
Proceeds from sale of property, plant and equipment		11.3	19.4
Dividends received from associate	18	5.5	5.5
Net cash used in investing activities		(450.8)	(510.3)
Financing activities			
Repayment of borrowings		(61.4)	(55.1)
Dividends paid		(806.1)	(784.3)
Dividends paid to non-controlling interest by subsidiary		(1.6)	(3.4)
Net cash used in financing activities		(869.1)	(842.8)
Net increase in cash and cash equivalents		1,129.3	166.3
Movement in cash and cash equivalents			
At start of year		1,473.5	1,306.3
Increase		1,129.3	166.3
Translation of net investment in foreign subsidiaries		0.4	0.9
At end of year	22	2,603.2	1,473.5

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 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 (Shs), rounded to the nearest million.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires 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.

(a) 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 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through profit orloss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. This revision is not expected to have any impact on the Group's financial statements.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

Notes to the financial statements
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 17, 'Leases' – effective 1 January 2010 - The amendment clarifies that leases of land and buildings need to be considered separately for all transactions. In establishing whether the land component is an operating or finance lease the entity should take into account that the land has an indefinite economic life. The Group has assessed the leases of land and concluded that they are operating leases. Therefore this amendment does not have an impact on the Group financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group .

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9, 'Financial instruments' – effective 1 January 2013. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. It introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The Group is yet to assess IFRS 9's full impact.

IAS 24 (Revised) 'Related party disclosures' – effective 1 January 2011. The revised standard 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. When the revised standard is applied, the subsidiaries of the Group will need to disclose any transactions between itself and associates of its parent Company. The Group already has systems in place to capture the necessary information.

Classification of rights issues' (amendment to IAS 32) – effective 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' - effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.
If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Group's financial statements.

Prepayments of a minimum funding requirement' (amendments to IFRIC 14). – effective 1 January 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented.

Annual improvements 2009 and 2010 – This is a collection of amendments to 12 standards as part of the IASB programme to annual improvements.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they will not have a significant impact on the Group's financial statements for the year ending 31 December 2010.

Notes to the financial statements
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) CONSOLIDATION

(I) SUBSIDIARIES

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

The 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

(II) ASSOCIATES

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

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

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

(C) PROPERTY, PLANT AND EQUIPMENT

All categories of property, plant and equipment are initially recorded at cost. Buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

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

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the 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.

Notes to the financial statements
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) PROPERTY, PLANT AND EQUIPMENT(CONTINUED)

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life. The annual rates used for this purpose are as follows:

Buildings	40 years
Plant and equipment	2 – 40 years

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

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, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management team that makes strategic decisions.

(E) REVENUE RECOGNITION

Revenue 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)

(J) INTANGIBLE ASSETS (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. Transmission frequencies are tested annually for impairement and carried at cost less accumulated impairement losses.

(K) EMPLOYEE BENEFITS
(I) POST EMPLOYMENT BENEFIT OBLIGATIONS

The Group operates a defined contribution retirement benefit scheme for its employees. A defined contribution scheme is one under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses' - net.

Notes to the financial statements
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) FUNCTIONAL CURRENCY AND TRANSLATION OF FOREIGN CURRENCIES (CONTINUED)
(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.

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 of or sold, exchange differences that are recorded in equity are recognised in the income statement 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.

Notes to the financial statements
continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 interest expense.

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

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

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

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

(II) CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES
In the process of applying the Group's accounting policies, management has made judgements in determining:
- The classification of financial assets and leases
- Whether assets are impaired.

Notes to the financial statements
continued

4 FINANCIAL RISK MANAGEMENT

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

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

(A) MARKET RISK
(I) FOREIGN EXCHANGE RISK

The Group makes significant purchases of raw materials in foreign currency, principally newsprint, inks and plates used in newspaper production, and TV programming used in broadcasting. This exposes the Group to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. The Group manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities by forward contracts, but has not designated any derivative instruments as hedging instruments.

At 31 December 2010 if the shilling had weakened/strengthened against the US dollar, with all other variables held constant, the consolidated post tax profit for the year and equity would not have changed materially from what has been reported.

(II) PRICE RISK

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

(III) CASHFLOW AND FAIR VALUE INTEREST RATE RISK

The Group has borrowings at variable rates. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2010, an increase/decrease of interest rates would not have resulted in any material increase/decrease in consolidated post tax profits for the year and equity.

(B) CREDIT RISK

Credit risk arises from cash and cash equivalents as well as trade and other receivables. Neither the Group nor Company has significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Credit risk is managed on a Group basis. The Group credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amount that best represents the Group's and Company's maximum exposure to credit risk at year end is made up as follows:

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
Cash and cash equivalents	2,603.2	1,473.5	2,439.9	1,378.0
Trade receivables	1,244.7	1,033.0	932.1	673.4
Receivable from related parties	-	-	377.1	313.5
Loans to related parties	-	-	-	254.5
Loans to directors	0.7	3.0	0.7	3.0
Other receivables	551.9	554.6	480.0	462.3
	4,400.5	3,064.1	4,229.8	3,084.7

Notes to the financial statements
continued

4 FINANCIAL RISK MANAGEMENT (CONTINUED)
(B) CREDIT RISK (CONTINUED)

No collateral is held for any of the above assets. 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	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
Past due but not impaired				
- by 31 to 60 days	658.9	574.9	529.6	370.0
- by 61 to 90 days	528.8	458.1	345.5	303.4
Total past due but not impaired	1,187.7	1,033.0	875.1	673.4
Impaired	1,020.6	1,002.3	656.8	628.4

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

(C) LIQUIDITY RISK

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dyanamic 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's 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
	Shs m	Shs m	Shs m	Shs m
Group				
At 31 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

Notes to the financial statements
continued

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) LIQUIDITY RISK (CONTINUED)

	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Total
	Shs m	Shs m	Shs m	Shs m
Group				
At 31 December 2009				
Liabilities				
- borrowings	55.1	27.6	-	82.7
- trade and other payables	1,712.6	-	-	1,712.6
Total financial liabilities	1,767.7	27.6	-	1,795.3
Assets				
Cash and bank balances	1,473.5	-	-	1,473.5
Trade receivables and prepayments	1,590.6	-	-	1,590.6
Total financial assets	3,064.1	-	-	3,064.1
Company				
At 31 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	377.1	-	-	377.1
Trade receivables and prepayments	1,412.8	-	-	1,412.8
Total financial assets	4,229.8	-	-	4,229.8
At 31 December 2009				
Liabilities				
- trade and other payables	1,365.3	-	-	1,365.3
Total financial liabilities	1,365.3	-	-	1,365.3
Assets				
Cash and bank balances	1,378.0	-	-	1,378.0
Amount due from Group Companies	313.5	-	254.5	568.0
Trade receivables and prepayments	1,138.7	-	-	1,138.7
Total financial assets	2,830.2	-	254.5	3,084.7

Notes to the financial statements
continued

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group'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 may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

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

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
Total borrowings	21.3	82.7	-	-
Less: cash and cash equivalents	(2,603.2)	(1,473.5)	(2,439.9)	(1,378.0)
Net debt	(2,581.9)	(1,390.8)	(2,439.9)	(1,378.0)
Total equity	5,422.1	4,713.7	5,276.2	4,633.6
Total capital	2,840.2	3,322.9	2,836.3	3,255.6

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.

Notes to the financial statements
continued

5 SEGMENTAL REPORTING (CONTINUED)

	Newspapers & Magazines		Broadcasting		Group	
	2010	2009	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Sales	8,314.4	7,255.8	1,288.1	934.0	9,602.5	8,189.8
Allocated costs	(5,954.7)	(5,367.6)	(1,182.1)	(1,120.2)	(7,136.8)	(6,487.8)
Segment results	2,359.7	1,888.2	106.0	(186.2)	2,465.7	1,702.0
Unallocated costs					(445.6)	(283.4)
Operating profit					2,020.1	1,418.6
Net finance income					85.1	26.2
Share of results of associates					41.4	104.5
Gain on disposal of subsidiary					-	68.1
Profit before income tax					2,146.6	1,617.4

The entity is domiciled in the Kenya. The revenue attributed to local sales was Shs. 7,608.3 million (2009: Shs. 6,431.3 million) while the revenues attributed to all foreign countries in total from which the entity derives revenues was Shs. 1,994.2 million (2009: Shs. 1,758.5 million). The Group does not derive revenues in excess of 10% of the total Group's revenue from any individual customer. Other segments included in the income statement are as follows:

	Newspapers & Magazines		Broadcasting		Group	
	2010	2009	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Depreciation	251.5	244.9	102.5	115.2	354.0	360.1
Amortisation	40.8	40.8	2.9	-	43.7	41.9
Provision for impairment of receivables	2.7	124.6	15.6	28.4	18.3	153.0

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. Other segments included in the statement of financial position are as follows:

	Newspapers & Magazines		Broadcasting		Group	
	2010	2009	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Segment assets	6,397.2	5,267.9	1,048.4	845.6	7,445.6	6,113.5
Investment in associates					529.6	458.9
					7,975.2	6,572.4
Segment liabilities	1,900.3	1,347.2	652.8	422.2	2,553.1	1,769.4
Capital expenditure	403.7	417.0	63.9	118.3	467.6	535.3

Notes to the financial statements
continued

6 EXPENSES BY NATURE

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

	Group	
	2010	2009
	Shs m	Shs m
Depreciation of property, plant and equipment (Note 15)	354.0	360.1
Repairs and maintenance expenditure on property, plant and equipment	14.6	24.7
Amortisation of intangible assets (Note 16)	42.5	40.7
Profit on disposal of property, plant and equipment	(7.8)	(2.0)
Operating lease rentals - office buildings	114.0	100.5
- leasehold land (Note 17)	1.2	1.2
Trade receivables - provision for impairment	18.3	153.0
Employee benefits expense (Note 7)	2,841.8	2,241.8
Inventories expensed	1,800.8	1,882.7
Provision for inventories	25.0	33.9
Auditors' remuneration: Group	17.0	14.4
: Company	9.7	8.5

7 EMPLOYEE BENEFITS EXPENSE

Salaries and wages	2,508.1	2,125.7
National Social Security Fund	54.8	49.4
Leave pay provision	2.2	2.1
Retirement benefits costs	276.7	64.6
	2,841.8	2,241.8

	Group	
The number of persons employed by the Group at the year end was:	2010	2009
	Number	Number
Full time	1,299	1,238
Part time	270	224
	1,569	1,462

8 OTHER INCOME

	Group	
	2010	2009
	Shs m	Shs m
Interest income	86.8	76.6
Gain on disposal of subsidiary	-	68.1
	86.8	144.7
Finance costs		
Interest expense	(1.7)	(50.4)
	85.1	94.3

9 INCOME TAX EXPENSE

Current income tax	716.5	516.2
Over provision of income tax in prior year	(5.5)	-
Deferred income tax (Note 14)	(83.2)	(18.0)
Over provision of deferred tax in prior years (Note 14)	(19.6)	-
	608.2	498.2

Notes to the financial statements
continued

9 INCOME TAX EXPENSE (CONTINUED)

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

	Group	
	2010	2009
	Shs m	Shs m
Profit before income tax	2,146.6	1,617.4
Tax calculated at the statutory tax rate of 30%	644.0	485.2
Tax effect of:		
- Income not subject to tax	(24.7)	(23.7)
- Expenses not deductible for tax purposes	14.0	20.6
(Over)/ under provision of deferred tax in prior years	(19.6)	16.1
Over provision of income tax in prior years	(5.5)	-
Income tax expense	608.2	498.2

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. The amount indicated under 2009 has been recomputed based on the share capital as at 31 December 2010 which includes the additional shares issued as part of the bonus issue during 2010.

	2010	2009
Net profit attributable to shareholders (Shs million)	1,536.0	1,102.7
Weighted average number of ordinary shares in issue (million)	157.1	157.1
Basic earnings per share (Shs)	9.8	7.0

There were no potentially dilutive ordinary shares outstanding as at 31 December 2010 or 2009. Diluted earnings per share is therefore the same as basic earnings per share.

11 SHARE CAPITAL	Number of shares (million) 2010	Number of shares (million) 2009	Ordinary shares Shs m 2010	Ordinary shares Shs m 2009
Authorised	240	240	600	600
Issued and fully paid				
As at 1 January	142.6	142.6	356.5	356.5
Issue of bonus shares	14.5	-	36.3	-
Balance as at 31 December	157.1	142.6	392.8	356.5

A bonus issue was made at the rate of one fully paid up share for every ten shares held in the issued and fully paid up share capital of the Company as at 7 May 2010. Further, 200 shares to each of the 1,235 permanent employees based in Kenya, Uganda, Tanzania and Rwanda as at 31 December 2009 were issued. The total number of bonus shares issued to existing shareholders and to employees amounted to 14,508,052 and their par value amounting to Shs. 36.3 million has been charged against retained earnings. Capital Markets Authority approval was sought for both these transactions.

Notes to the financial statements
continued

12 OTHER RESERVES

The movement in other reserves is as follows:

	Revaluation reserve on buildings	Currency translation	Total
	Shs m	Shs m	Shs m
As at 1 January 2009	75.1	9.7	84.8
Currency translation differences	-	(0.8)	(0.8)
Transfer of excess depreciation	(2.4)	-	(2.4)
Deferred income tax on transfer	0.7	-	0.7
Balance as at 31 December 2009	73.4	8.9	82.3
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

COMPANY

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

13 BORROWINGS

	Group	
	2010	2009
	Shs m	Shs m
Current		
Bank borrowings	21.3	36.8
Bank overdraft	-	18.3
	21.3	55.1
Non current		
Bank borrowings	-	27.6
Total borrowings	21.3	82.7

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

	2010	2009
Bank loan	7.0%	15.1%

In the opinion of the directors, the carrying amounts of short term borrowings approximate 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 statement of financial position date. In the opinion of 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		
	2010	2009
	Shs m	Shs m
Between 1 and 2 years	21.3	55.1
Between 2 and 5 years	-	27.6

Notes to the financial statements
continued

14 DEFERRED INCOME TAX

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
At start of year	33.5	51.5	61.7	76.0
Credit to the statement of comprehensive income (Note 9)	(83.2)	(18.0)	(57.8)	(14.3)
Over provision in prior years (Note 9)	(19.6)	-	(19.6)	-
At end of year	(69.3)	33.5	(15.7)	61.7
Deferred income tax liabilities	-	61.7	-	61.7
Deferred income tax assets	(69.3)	(28.2)	(15.7)	-
At end of year	(69.3)	33.5	(15.7)	61.7

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

	1.1.10	Charged/ (Credited) to SCI	31.12.10
	Shs m	Shs m	Shs m
Group			
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)

Notes to the financial statements
continued

14 DEFERRED INCOME TAX (CONTINUED)

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

	1.1.10	Charged/ (Credited) to SCI	31.12.10
	Shs m	Shs m	Shs m
Company			
Year ended 31 December 2010			
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)
Unrealised 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)**

	1.1.09	Charged/ (Credited) to SCI	31.12.09
	Shs m	Shs m	Shs m
Company			
Year ended 31 December 2009			
Deferred income tax liabilities			
Property, plant and equipment	143.6	(22.9)	120.7
Unrealized exchange gains	-	6.8	6.8
	143.6	(16.1)	127.5
Deferred income tax assets			
Provisions	(67.6)	14.3	(53.3)
Unrealized exchange losses	-	(12.5)	(12.5)
	(67.6)	1.8	(65.8)
Net deferred income tax liability	76.0	(14.3)	61.7

Deferred income tax of Shs. 0.7 million (2009: Shs. 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

	Freehold land Shs m	Buildings Shs m	Plant and equipment Shs m	Total Shs m
Group				
As at 1 January 2009				
Cost or valuation	6.4	405.6	3,961.6	4,373.6
Accumulated depreciation	-	(26.5)	(2,527.8)	(2,554.3)
Net book value	6.4	379.1	1,433.8	1,819.3
Year ended 31 December 2009				
Opening net book value	6.4	379.1	1,433.8	1,819.3
Additions	0.6	0.8	465.4	466.8
Disposals	-	-	(39.0)	(39.0)
Depreciation charge	-	(9.8)	(350.3)	(360.1)
Currency translation differences	-	(2.5)	(2.4)	(4.9)
Closing net book value	7.0	367.6	1,507.5	1,882.1
As at 31 December 2009				
Cost or valuation	7.0	403.5	4,383.1	4,793.6
Accumulated depreciation	-	(35.9)	(2,875.6)	(2,911.5)
Net book value	7.0	367.6	1,507.5	1,882.1
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

Notes to the financial statements
continued

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land	Buildings	Plant and equipment	Total
	Shs m	Shs m	Shs m	Shs m
Company				
As at 1 January 2009				
Cost or valuation	6.4	261.0	3,318.7	3,586.1
Accumulated depreciation	-	(9.1)	(2,213.6)	(2,222.7)
Net book value	6.4	251.9	1,105.1	1,363.4
Year ended 31 December 2009				
Opening net book value	6.4	251.9	1,105.1	1,363.4
Additions	0.6	0.8	157.9	159.3
Disposals	-	-	(12.6)	(12.6)
Depreciation charge	-	(6.7)	(269.6)	(276.3)
Closing net book value	7.0	246.0	980.8	1,233.8
As at 31 December 2009				
Cost or valuation	7.0	261.8	3,413.9	3,682.7
Accumulated depreciation	-	(15.8)	(2,433.1)	(2,448.9)
Net book value	7.0	246.0	980.8	1,233.8
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

The Group's buildings were revalued as at 31 December 2007 by independent professional valuers. The basis for the valuation was open market value. The book values of the properties were adjusted to the revalued amounts and the resulting surplus, net of deferred 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	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
Cost	314.7	314.7	166.2	166.2
Accumulated depreciation	(63.9)	(54.4)	(55.0)	(48.3)
Net book value	250.8	260.3	111.2	117.9

Notes to the financial statements
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16 INTANGIBLE ASSETS

Group	Goodwill Shs m	Computer software Shs m	Transmission Frequencies Shs m	Total Shs m
As at 1 January 2009				
Cost	187.9	246.4	-	434.3
Accumulated depreciation	-	(114.6)	-	(114.6)
Net book value	187.9	131.8	-	319.7
Year ended 31 December 2009				
Opening net book value	187.9	131.8	-	319.7
Additions	-	41.2	27.2	68.4
Amortisation	-	(40.7)	-	(40.7)
Closing net book value	187.9	132.3	27.2	347.4
As at 31 December 2009				
Cost	187.9	287.6	27.2	502.7
Accumulated depreciation	-	(155.3)	-	(155.3)
Net book value	187.9	132.3	27.2	347.4
Year ended 31 December 2010				
Opening net book value	187.9	132.2	27.2	347.4
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 depreciation	-	(197.2)	-	(197.2)
Net book value	187.9	104.3	27.2	319.4

Notes to the financial statements
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16 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the operating segment. A segment-level summary of the goodwill allocated is presented below:

	Operating Segment	2010	2009
		Shs m	Shs m
Mwananchi Communications Limited	Newspapers	128.9	128.9
Monitor Publications Limited	Newspapers	23.0	23.0
East Africa Televisions Network	Broadcasting	15.5	15.5
Radio Uhuru Limited	Broadcasting	20.5	20.5
		187.9	187.9

	Computer software	Frequencies	Total
Company	Shs m	Shs m	Shs m
As at 1 January 2009			
Cost	236.5	-	236.5
Accumulated amortisation	(110.3)	-	(110.3)
Net book value	126.2	-	126.2
Year ended 31 December 2009			
Opening net book value	126.2	-	126.2
Additions	39.6	27.2	66.8
Amortisation	(38.7)	-	(38.7)
Closing net book value	127.1	27.2	154.3
As at 31 December 2009			
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

Notes to the financial statements
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17 PREPAID OPERATING LEASE RENTALS

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
At start of year	90.2	93.2	50.0	50.7
Amortisation for the year	(1.2)	(1.2)	(0.7)	(0.7)
Currency translation differences	(2.2)	(1.8)	-	-
At end of year	86.8	90.2	49.3	50.0

18 INVESTMENT IN ASSOCIATES

	Group	
	2010	2009
	Shs m	Shs m
At start of year	458.9	358.7
Share of profit before income tax	59.2	146.8
Share of income tax expense	(17.8)	(42.3)
	41.4	104.5
Dividends received	(5.5)	(5.5)
Share of other comprehensive income	34.8	1.2
At end of year	529.6	458.9

The investment in associates is carried in the consolidated statement of financial position at amounts that reflect the Group's share of the net assets of the associate and includes goodwill on acquisition. The Group's interest in its principal associate, which is unlisted, was as follows:

	Country of	% interest	Assets	Liabilities	Revenues	Profit/ (loss)	Other comprehensive income
Year 2009	incorporation	held	Shs m	Shs m	Shs m	Shs m	Shs m
Property Development and Management Limited	Kenya	20%	2,852.8	244.5	243.3	174.2	140.4
Year 2010							
Property Development and Management Limited	Kenya	20%	3,809.6	491.9	318.2	207.1	174.2

There were no changes in the interest held in the associate during the year. The investment in associate is carried in the company statement of financial position at a cost of Shs.94.6 million.

19 INVESTMENT IN SUBSIDIARIES (AT COST)

	Company	
	2010	2009
	Shs m	Shs m
At start of year	812.7	812.7
Additional investment in Mwananchi Communications Limited (Note 28(ii))	254.5	-
At end of year	1,067.2	812.7

Notes to the financial statements
continued

19 INVESTMENT IN SUBSIDIARIES (AT COST) (CONTINUED)

The Group's interest in it's 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 %	2010 Shs m	2009 Shs m
Trading subsidiaries:				
Nation Marketing & Publishing Limited	Kenya	100.0	0.5	0.5
Monitor Publications Limited	Uganda	76.7	19.1	19.1
Mwananchi Communications Limited	Tanzania	100.0	569.2	314.8
Nation Holdings Tanzania Limited	Tanzania	100.0	150.4	150.4
Africa Broadcasting Uganda Limited	Uganda	100.0	347.7	347.7
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
			1,112.0	857.5
Provision for impairment			(44.8)	(44.8)
			1,067.2	812.7

20 INVENTORIES

	Group 2010 Shs m	Group 2009 Shs m	Company 2010 Shs m	Company 2009 Shs m
Raw materials at cost	514.1	457.8	390.6	382.4
Engineering spares at cost	127.3	137.9	117.7	128.4
Other stock at cost	34.9	15.6	26.7	13.2
	676.3	611.3	535.0	524.0

Notes to the financial statements
continued

21 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
Trade receivables	2,265.3	2,035.3	1,588.9	1,301.8
Less: provision for impairment	(1,020.6)	(1,002.3)	(656.8)	(628.4)
	1,244.7	1,033.0	932.1	673.4
Amounts due from related parties (Note 28)	-	-	377.1	313.5
Other receivables and prepayments	552.6	557.6	480.7	465.3
	1,797.3	1,590.6	1,789.9	1,452.2
Non-current receivable from related party (Note 28)	-	-	-	254.5

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

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
At start of year	1,002.3	849.3	628.4	534.0
Provision in the year	18.3	153.0	28.4	94.4
At end of year	1,020.6	1,002.3	656.8	628.4

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

22 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
Cash and bank balances	1,127.5	746.7	991.2	651.2
Short term bank deposits	1,475.7	726.8	1,448.7	726.8
	2,603.2	1,473.5	2,439.9	1,378.0

The weighted average effective interest rate on the bank deposits at the year end was 4.3% (2009 : 7.8%)

23 PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2010	2009	2010	2009
	Shs m	Shs m	Shs m	Shs m
Trade payables	616.8	435.3	426.1	274.0
Amounts due to related parties (Note 28)	-	-	81.8	66.4
Accrued expenses	1,622.0	1,017.3	1,430.7	865.0
Other payables	210.4	260.0	118.0	159.9
	2,449.2	1,712.6	2,056.6	1,365.3

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

Notes to the financial statements
continued

24 DIVIDENDS

At the annual general meeting to be held on 23 June 2011, a final dividend in respect of the year ended 31 December 2010 of Shs. 4.00 per share amounting to Shs. 628.5 million will be proposed (2009: Shs. 570.4 million). A special dividend of Shs. 2.50 per share amounting to Shs. 392.8 million will be proposed. During the year, an interim dividend of Shs. 1.50 per share, amounting to Shs. 235.7 million was paid (2009: Shs. 213.9 million). The total dividend for the year is, therefore, Shs. 8.00 per share (2009: Shs. 5.50), amounting to Shs. 1,257.0 million (2009: Shs. 784.3 million). The payment of dividends is subject to withholding tax at the rate of 5% for resident and 10% for non-resident tax payer.

25 COMMITMENTS - GROUP

CAPITAL EXPENDITURE

Commitments for capital expenditure at the statement of financial position date are as follows:

	2010	2009
	Shs m	Shs m
Contracted for but not provided for	10.5	11.3

OPERATING LEASES

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

	2010	2009
	Shs m	Shs m
Not later than 1 year	101.0	100.5
Later than 1 year and not later than 5 years	439.3	437.1
	540.3	537.6

26 CASH GENERATED FROM OPERATIONS

	Group	
	2010	2009
	Shs m	Shs m
Reconciliation of profit before tax to cash generated from operations		
Profit before income tax	2,146.6	1,617.4
Adjustment for:		
Depreciation of property, plant and equipment (Note 15)	354.0	360.1
Amortisation of intangible assets (Note 16)	42.5	40.7
Amortisation of prepaid operating lease rentals (Note 17)	1.2	1.2
Profit on sale of property, plant and equipment	(7.8)	(2.0)
Impairment of fixed assets	29.1	21.6
Write off of net current liabilities in subsidiary	-	133.4
Gain on disposal of subsidiary	-	(68.1)
Interest income (Note 8)	(86.8)	(76.6)
Interest expense (Note 8)	1.7	50.4
Share of result after tax of associate (Note 18)	(41.4)	(104.5)
Changes in working capital:		
- inventories	(65.0)	300.9
- receivables and prepayments	(206.7)	206.0
- payables and accrued expenses	736.6	(393.0)
Cash generated from operations	2,904.0	2,087.5

27 CONTINGENT LIABILITIES

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

Notes to the financial statements
continued

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

	Company	
	2010	2009
	Shs m	Shs m
Monitor Publications Limited	43.9	49.8

(II) OUTSTANDING BALANCES FROM TRANSACTIONS WITH RELATED PARTIES

Amounts due from related parties		
Monitor Publications Limited	63.7	50.4
Mwananchi Communications Limited	228.0	167.0
Nation Infotech Limited	0.9	0.9
Africa Broadcasting Uganda Limited	84.5	95.2
	377.1	313.5
Non-current receivable		
Mwananchi Communications Limited	-	254.5

During the year the above receivable from Mwananchi Communications Limited was capitalised as investment in subsidiary. Refer to Note 19.

AMOUNTS DUE TO RELATED PARTIES

	Company	
	2010	2009
	Shs m	Shs m
Nation Marketing and Publishing Limited	71.7	58.8
Nation Holdings Tanzania Limited	10.1	7.6
	81.8	66.4

(III) LOANS TO EXECUTIVE DIRECTORS

At start of year	3.0	5.0
Loans advanced during the year	1.5	1.4
Loans repaid during the year	(3.8)	(3.4)
At end of year	0.7	3.0

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

Notes to the financial statements
continued

28 RELATED PARTIES (CONTINUED)

(IV) KEY MANAGEMENT COMPENSATION

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

	Group and Company	
	2010	2009
	Shs m	Shs m
Salaries and other short-term employment benefits	49.6	47.1

(V) DIRECTORS' REMUNERATION

	Shs m	Shs m
Fees for services as director	20.5	17.2
Other emoluments	49.6	47.1
	70.1	64.3

(VI) OTHER RELATED PARTY TRANSACTIONS

Included as part of cash and cash equivalents in the Company at 31 December 2010 are the following balances with related parties:

	Company	
	2010	2009
	Shs m	Shs m
Term deposit with Diamond Trust Bank Kenya Limited	436.6	300.0

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

The Company entered into a Short Term Note investment with Industrial Promotion Services (K) Limited (IPS) on 30 September 2010. The amount invested and also outstanding as at 31 December 2010 was Shs. 300 million. The investment is for a duration of 6 months attracting an interest rate of 5% per annum.

Five Year Financial Summary

	2010	2009	2008	2007	2006
	Shs m	Shs m	Shs m	Shs m	Shs m
Results					
Turnover	9,602.5	8,189.8	8,251.5	7,685.6	6,339.2
Profit before tax	2,146.6	1,617.4	1,910.3	1,601.6	1,150.8
Profit attributable to shareholders	1,519.8	1,103.1	1,296.2	1,089.6	783.2
Net assets					
Non-current assets	2,898.4	2,806.8	2,694.8	2,284.2	2,087.2
Net current assets	2,523.7	1,996.2	1,854.8	1,719.0	1,768.4
Non-current liabilities	-	(89.3)	(235.1)	(267.2)	(358.9)
Non-controlling interest	(61.9)	(67.2)	13.1	87.8	91.2
Shareholders' funds	5,360.2	4,646.5	4,327.6	3,823.8	3,587.9
Profit before tax as a percentage of turnover (%)	22.35	19.75	23.15	20.84	18.15
Earnings per share (Shs)*	9.77	7.02	8.25	6.93	4.98
Dividends per share (Shs)*	8.00	5.50	5.50	5.25	3.50
Dividends cover (times)*	1.22	1.28	1.50	1.32	1.42

*These amounts have been recomputed based on the share capital as at 31 December 2010 which includes the additional shares issued as part of the bonus issue.

Principal Shareholders of the Company and their respective Shareholding

at 31 December 2010

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	12,811,400	8.15
3 National Social Security Fund	5,701,916	3.63
4 Nima Investment Limited	2,874,775	1.83
5 John Kibunga Kimani	1,581,611	1.01
6 Barclays Kenya Nominees Limited A/c 9230	1,045,075	0.67
7 Kenya Commercial Bank – Nominees A/c 769G	849,053	0.54
8 Insurance Company of East Africa	819,876	0.52
9 Jubilee Insurance Company Limited	752,699	0.48
10 Old Mutual Life Assurance Limited	724,217	0.46

Distribution of Shareholding 31 December 2010

Shareholding

(No. of shares)	No. of shareholders	No. of shares held	% Shareholding
1 - 500	4,197	883,562	0.56
501 - 5,000	5,246	10,474,686	6.67
5,001 - 10,000	799	5,711,756	3.64
10,001 - 100,000	925	21,923,928	13.95
100,001 - 1,000,000	97	24,634,695	15.68
Over 1,000,000	6	93,489,945	59.50
TOTAL	11,270	157,118,572	100.0

Proxy Form

I/We ____

____ being a member/members of Nation Media

Group Limited, hereby appoint ____

of ____

and failing him ____ and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 23 June 2011 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 Juni 23 2011 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.