

ANNUAL REPORT & FINANCIAL STATEMENTS 2014

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Nation Media Group
Media of Africa for Africa





MEDIA OF AFRICA FOR AFRICA



Usikose kutazama **Chee Live**

ni kipindi cha jamii kinacho elimisha, kujanjarusha na kuburudisha. Kwa yule anayetazama kipindi kila siku, anaelimika katika maswala ya sharia, afya, usalama, mahusiano na burudani.

6:00 am

**Jumatatu -
Ijumaa**





Usikose kutazama Toleo la Jioni

kwa habari zinazochipuka, za utendeti, uwazi na zisizoegemea upande wowote kila siku kuanzia saa mbili usiku ukiletewa na Dann Mule na Ken Wariahe katika QTV, stesheni ya Kiswahili uipendayo.

8:00 pm

Jumatatu -
Ijumaa



The Nation Media Group, is the largest independent media house in East and Central Africa with operations in print, broadcast and digital media, which attract and serve unparalleled audiences in Kenya, Uganda, Tanzania and Rwanda.

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Media of Africa for Africa

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Browse, download or print our annual report at
[http://www.nationmedia.com/2014 annualreport.pdf](http://www.nationmedia.com/2014%20annualreport.pdf)

View our 2014 results presentation at
http://www.nationmedia.com/docs/2014_Results_Investor_Brieng.pdf



Our Brands



A large green brushstroke circle containing the following logos and text:
ntv turning on your world
NATIONFM
n-soko.com The Easy Way
QFM Kata Kisu
QTV Ni mamba yote
DAILY NATION
BUSINESS DAILY more possibilities
NATIONHELA Pesa Mfukoni International Money Transfer
TAIFA LEO
The East African



A large orange brushstroke circle containing the following logos and text:
Jembe Omuziki Nebikuzimba
KFM better information
NTV Turning on your World
Daily Monitor
ENNYANDA
The East African



A large blue brushstroke circle containing the following logos and text:
Mwana Spoti
THE CITIZEN
MWANANCHI LIMEDIKHEMI
The East African



A large purple brushstroke circle containing the following logos and text:
98.7 KFM FRESH HITS, REAL TALK
RWANDA TODAY
Rwanda's national newspaper brought to you by The East African
The East African



Our Vision

To be the Media of Africa for Africa.

Our Mission

To create value for our stakeholders and to positively influence society by providing media that informs, educates and entertains.

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Notice of Annual General Meeting



Notice is hereby given that the Fifty-Second Annual General Meeting of the Shareholders of Nation Media Group Limited will be held in the Amphitheatre at the Kenyatta International Conference Centre, Nairobi on Friday 5 June 2015 at 2.00 p.m. for the following purposes:

Ordinary business

1. To receive the financial statements for the year ended 31st December 2014, and the chairman's, directors' and auditors' reports thereon.
2. To confirm the payment of the interim dividend of Shs.2.50 per share (100%) and to approve the payment of the final dividend of Shs.7.50 per share (300%) on the ordinary share capital in respect of the year ended 31 December 2014.
3. To confirm that PricewaterhouseCoopers continue in office as the Company's Auditors in accordance with Section 159(2) of the Companies Act (Cap 486) Laws of Kenya and to authorize the directors to fix their remuneration.
4. To elect and re-elect the following directors:
 - (a) In accordance with Article 96 of the Company's Articles of Association, Mr. L. Mususa, a director appointed on 20th March 2015, retires and being eligible offers himself for election.
 - (b) In accordance with Article 110 of the Company's Articles of Association, Mr. R. Dowden, Dr. Y. Jetha, Mr. J. Montgomery and Mr. A. Poonawala, retire by rotation and being eligible, offer themselves for re-election.
5. "That Mr. W. Kiboro, 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 period of one year."
6. "That Prof. L Huebner, a director who retires in accordance with Article 101 of the Company's Articles of Association and who is over the age of 70 years, shall not withstanding that fact, be re-elected as a director of the Company for a period of one year."
7. "That Mr. G. Wilkinson, a director who retires in accordance with Article 101 of the Company's Articles of Association and who is over the age of 70 years, shall not withstanding that fact, be re-elected as a director of the Company for a period of one year."

By order of the Board

J C Kinyua
Secretary

20 March 2015

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 hapa kuwa Mkutano Mkuu wa Mwaka wa Hamsini na mbili wa Wenye-hisa wa Shirika la Nation Media Group Limited utafanyika katika ukumbi wa Amphitheatre katika Jumba la Mikutano ya Kimataifa la KICC, Nairobi tarehe 5 Juni 2015 kuanzia saa nane alasiri mchana ambapo malengo yafuatayo yatajadiliwa:

Shughuli za kawaida

1. Kupokea taarifa za kifedha za mwaka uliomalizikia tarehe 31 Desemba 2014, pamoja na ripoti za mwenyekiti, wakurugenzi na mkaguzi wa mahesabu ya kifedha.
2. Kuthibitisha malipo ya mgao wa muda ya Shillingi 2.50 kwa kila hisa (100%) pamoja na kuidhinisha malipo ya mgao wa mwisho ya Shillingi 7.50 kwa kila hisa (300%) kuhusu hisa za kawaida za mtaji katika mwaka uliomalizikia tarehe 31 Desemba 2014.
3. Kuthibitisha kuwa PricewaterhouseCoopers itaendelea kushikilia afisi ya Mkaguzi wa Mahesabu ya Fedha ya Kampuni kulingana na Sehemu ya 159(2) ya Sheria za Kampuni (Kifungu cha 486) katika Sheria za Kenya na kuwaamuru wakurugenzi kuamua malipo yao.
4. Kuchagua na kuchagua upya kwa wakurugenzi wakuu wafuatao:
 - (a) Kulingana na Kifungu cha 96 cha Mkataba wa Ushirikiano wa Kampuni, Bw L Mususa ambaye ni mkurugenzi aliteuliwa mnamo tarehe 20 Machi 2015, anastaafu na kwa kuwa anastahili, basi anajitokeza ili kuchaguliwa.
 - (b) Kulingana na Kifungu cha 110 cha Mkataba wa Ushirikiano wa Kampuni, Bw R. Dowden, Dkt. Y. Jetha, Bw J. Montgomery na Bw A. Poonawala, wanastaafu kwa zamu na kwa kuwa wanastahili, basi wanajitokeza ili kuchaguliwa tena.
5. “Kwamba, Bw. W. Kiboro, mkurugenzi anayestaafu kulingana na Kifungu cha 101 cha Mkataba wa Ushirikiano wa Kampuni na ambaye ana zaidi ya umri wa miaka 70, bila kuizingatia hali hiyo, atachaguliwa tena kama mkurugenzi mkuu wa Kampuni hii kwa kipindi cha mwaka mmoja.”
6. “Kwamba Prof. L. Huebner, ambaye ni mkurugenzi anayestaafu kulingana na Kifungu cha 101 cha Mkataba wa Ushirikiano wa Kampuni na ambaye ana zaidi ya umri wa miaka 70, bila kuizingatia hali hiyo, atachaguliwa tena kama mkurugenzi mkuu wa Kampuni hii kwa kipindi cha mwaka mmoja.”
7. “Kwamba Bw. G. Wilkinson, ambaye ni mkurugenzi mkuu anayestaafu kulingana na Kifungu cha 101 cha Mkataba wa Ushirikiano wa Kampuni na ambaye ana zaidi ya umri wa miaka 70, bila kuizingatia hali hiyo, atachaguliwa tena kama mkurugenzi mkuu wa Kampuni hii kwa kipindi cha mwaka mmoja.”

Kwa amri ya Bodi

J C Kinyua
Katibu
Tarehe 20 Machi 2015

Fahamu:
Mwanachama anayestahili kuhudhuria na kupiga kura anaweza kuteua mwakilishi ahudhurie na kupiga kura kwa niaba yake. Si lazima mwakilishi huyo awe mwanachama wa Kampuni hii. Ili kufuzu, lazima fomu ya uwakilishi itumwe kwa afisi iliyosajiliwa ya Kampuni hii katika muda usiopungua saa 48 kabla ya muda rasmi wa mkutano.



Corporate Governance

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

The role of the Board is to determine the Company's policies and strategies, to monitor the attainment of the business objectives and to ensure that the Company meets its obligations to the shareholders. The directors are also responsible for overseeing the Group's internal control systems. These controls are designed both to safeguard the Group's assets and to ensure the reliability of the financial information used within the business.

The Board has the following standing Board Committees:-

1. **Nominations Committee**, which is responsible for executive and non-executive board appointments and which meets twice a year. Mr. G. M. Wilkinson chairs the committee which has Mr. W. D. Kiboro, Mr. A. Poonawala, Prof. L. Huebner and Mr. L. W. Gitahi as members. The members of the Committee with the exception of the Group Chief Executive Officer, are independent and non-executive directors.
2. **Finance and Audit Committee**, whose responsibility is to ensure that the systems of internal controls are effectively administered, to define the responsibilities of the internal auditors, liaise with the external auditors and to review the annual capital and revenue budgets, the interim results and the full year financial statements and which meets quarterly in each year. Mr. D. Aluanga chairs the committee which has Mr. A. Poonawala and Dr. S. Kagugube as members. The members of the committee are independent and non-executive directors.
3. **Strategic Planning Committee**, which reviews the Group's medium and long term strategic aims and direction and which meets quarterly in each year. Prof. L. Huebner chairs the committee which has Mr. G. M. Wilkinson, Dr. Y. Jetha, Mr. R. Dowden, Mr. L. W. Gitahi, Mr. S. Gitagama,

Ms. N. Karago and Mr. J. Montgomery as members.

4. **Editorial Committee**, which considers and advises on the Group's editorial policy, the journalistic code of ethics and addresses legal responsibilities and which meets quarterly in each year or as often as necessary. Mr. F. O. Okello chairs the committee which has Mr. D. Aluanga, Prof. O. Mugenda, Mr. R. Dowden and Mr. L. W. Gitahi as members.
5. **Human Resources and Remuneration Committee**, whose primary objective is to assist the Group to achieve its goal of adhering to the best practices of Corporate Governance relating to Human Resources Management and Development. The Committee meets quarterly in each year. Dr. Y. Jetha chairs the committee, which has Mr. A. Poonawala and Prof. O. Mugenda as members. The members of the committee are independent and non-executive directors.

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

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

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



20 years ago we saw beyond the countries. We saw a region.

When we launched *The EastAfrican* in 1994, we had a vision of a united region.

We knew that countries never rise alone, regions rise together, through intricate connections and interactions among businesses and people.

20 years ago, we saw The East African Community was about to rise again as a stronger regional bloc.

Today, we have witnessed the connections in the region bring prosperity to its people.

Join us in our journey.

MAKE THE CONNECTION log on to theeastafrikan.co.ke



OF UNDERSTANDING THE REGION

Chairman's Statement

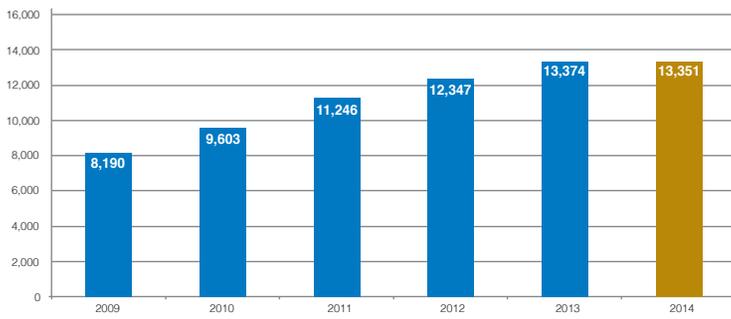


W D Kiboro
Chairman

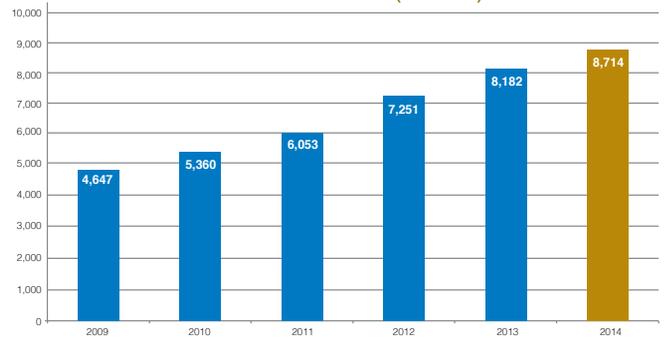
“Regional expansion and consolidation of market shares remain key strategic imperatives in informing the offerings on the Group’s multi-media platforms. The regional subsidiaries are making good contributions towards the bottom line.”

Chairman's Statement continued...

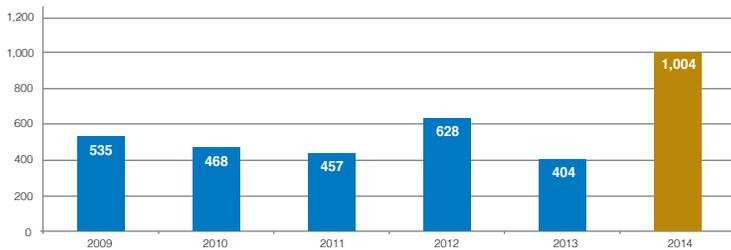
Turnover (Shs m)



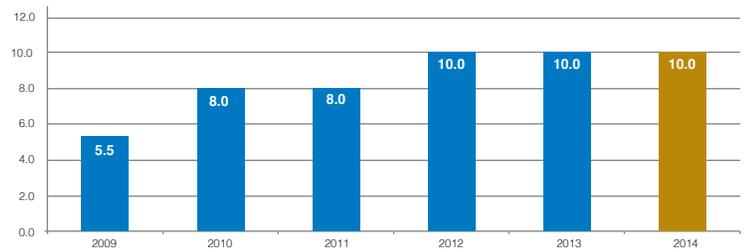
Shareholder's Funds (Shs m)



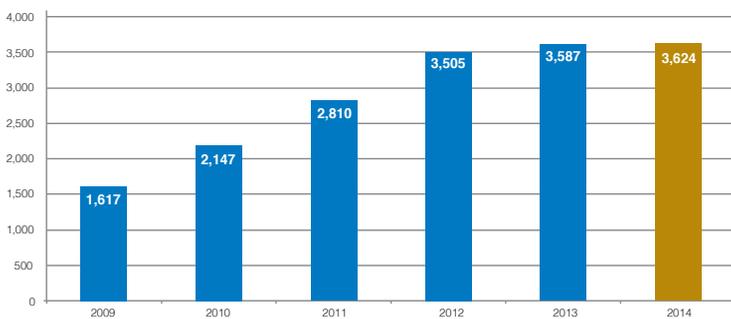
Capital Expenditure (Shs m)



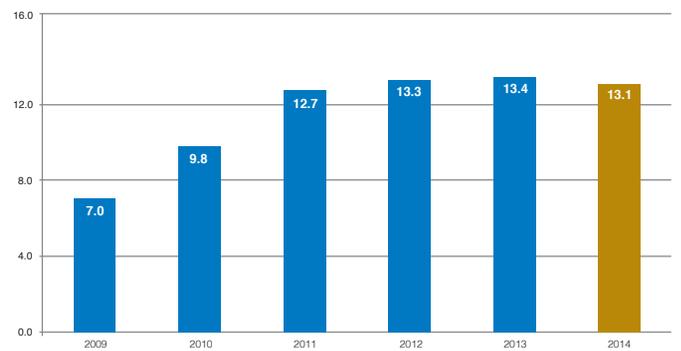
Dividends Per Share (Shs)



Profit Before Tax (Shs m)



Earnings Per Share (Shs)



Chairman's Statement **continued...**

It gives me great pleasure to present to you the Annual Report and Financial Statements for the year ended 31st December 2014. Group turnover was Shs 13.4 billion, which was at par with the previous year's achievement, while profit before tax increased slightly to Shs 3.62 billion from the Shs 3.59 billion recorded in 2013.

Dividends

The Directors have recommended the payment of a final dividend for the year of Shs 7.50 (300%) per share on the issued share capital as at 31st December 2014 which, together with the interim dividend of Shs 2.50 (100%) per share paid out on 30th September 2014, makes a total dividend pay-out of Shs 10.00 per share (400%) for the year ended 31st December 2014. The proposed dividend pay-out has been maintained at the same level as that of the previous year.

Share price and market capitalisation

The NMG share price as at 31st December 2014 was Shs 267 per share, which is a market capitalisation of Shs 50.4 billion.

Business environment

Despite setbacks, an uneven global recovery continues. Largely due to weaker-than-expected global activity in the first half of 2014, the growth forecast for the world economy was in the previous year revised downward to 3.3 per cent, 0.4 percentage points lower than in the April 2014 World Economic Outlook (WEO). The global growth projection for 2015 was lowered to 3.8 percent.

Kenya's economic growth expanded by 5.3 per cent last year, but the growth could be more robust this year, thanks to the momentum picking up in a range of sectors. The country has struggled to attain its true growth potential of above 6 per cent in recent years, due to a host of challenges including political uncertainties, periodic droughts and frequent terrorist attacks.

The Group faced operational challenges with the regional subsidiaries suffering the wrath of government bureaucracy, seen most vividly with the 14-day ban of the *Mwananchi* late in 2013 and, more recently, the banning of the *The EastAfrican* from circulating in

Tanzania.

In Kenya, the move to digital signal transmission and the analogue signal switch-off by the government resulted in the closure of NTV and QTV television stations for three weeks in February/March 2015. The digital signal migration will have an adverse effect on television viewership, as people without set top boxes will not access even the free-to-air television stations.

The Group has taken legal measures to safeguard against attempts by the government to frustrate freedom of the press as enshrined in the Constitution, and interference in television content by the industry regulator.

Despite the challenging operating environment, the Board is happy to report an improvement in the Group's performance over last year.

The economic environment saw many corporates effect cuts in the traditional advertising revenue sources, but aggressive selling and innovative offers boosted our top-line and ensured an improved performance. Good editorial content also sustained the popularity of our various media platforms.

Growth

Regional expansion and consolidation of market shares remain key strategic imperatives in informing the offerings on the Group's multi-media platforms. The regional subsidiaries are making good contributions towards the bottom line.

I am pleased to inform you that work on the Group's new state-of-the-art printing press, which will improve the overall print quality and enhance the newspaper pagination and colour capacity is in progress. Work on the new press hall at our Mombasa Road premises is on schedule and we expect to commission the new press in the fourth quarter of this year.

Editorial policy & future prospects

I want to commend, in particular, the Editorial Board Committee and the journalists who worked

tirelessly and ensured balanced, accurate and objective reporting throughout the year.

Overall, the trading environment is projected to be better in 2015 and our resolve is to remain focused on pursuing and applying resources on strategies that enable the Group take advantage of emerging opportunities to grow our various businesses.

I want to sincerely thank my fellow directors, management and the staff of the Group, as well as our customers and business partners, for their continued support and contribution towards the Group's success.

W D Kiboro
GROUP CHAIRMAN



Taarifa ya Mweyekiti



W D Kiboro Chairman

“Upanuzi wa kiukanda na uimarishaji wa nguvu zetu sokoni utapewa umuhimu katika mikakati yetu muhimu ya kudhihirisha ufaafu wa wingi wa vitengo vyetu vya uanahabari. Tanzu zetu za kiukanda zinazidi kutoa mchango mzuri katika ufikiaji wa malengo yetu.”

Nina furaha kuu ninapowasilisha Ripoti na Taarifa za Kifedha za Mwaka uliomalizikia tarehe 31 Desemba 2014. Mapato ya Jumla ya Shirika yalifika Shilingi 13.4 bilioni, ambayo yalitoshana na matokeo ya mwaka uliotangulia, lakini faida kabla ya ushuru iliongezeka kwa kiasi kidogo na kufikia Shilingi Bilioni 3.62 kutoka Shilingi Bilioni 3.59 zilizopatikana mwaka 2013.

Migao

Wakurugenzi Wakuu wamependekeza malipo ya mgao wa mwisho kuwa Shilingi 7.50 (300%) kwa kila hisa kwenye mtaji wa hisa uliotolewa kufikia tarehe 31 Desemba 2014, ambao pamoja na mgao wa muda wa Shilingi 2.50 (100%) kwa kila hisa uliolipwa mnamo 30

Septemba 2014, utafikisha jumla ya malipo ya mgao kuwa Shilingi 10.00 kwa kila hisa (400%) katika mwaka uliokamilika 31 Desemba 2014. Mgao uliopendekezwa umedumishwa kwa kiwango sawa na ule wa mwaka uliotangulia.

Bei ya hisa na thamani sokoni

Bei ya hisa za NMG kufikia tarehe 31 Desemba 2014 ilisimamia kwa Shilingi 267 kwa kila hisa, ambayo ilifikisha thamani yake sokoni kuwa Shilingi Bilioni 50.4.

Mazingira ya kibiashara

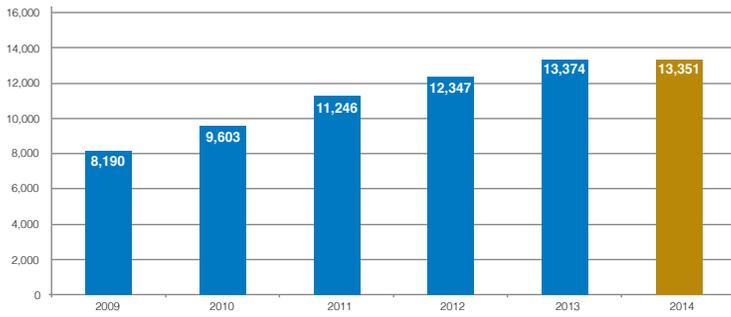
Licha ya mikingamo kadhaa, kufufuka kwa biashara katika ngazi za kimataifa kulishuhudiwa japo kwa kiwango cha chini. Hii ilitokana na kufanikiwa kwa shughuli chache

za kimataifa kuliko ilivyotarajiwa katika nusu ya kwanza ya mwaka 2014. Matarajio ya ukuaji wa uchumi wa dunia yalipunguzwa katika mwaka uliotangulia hadi kufikia asilimia 3.3, ikiwa ni asilimia 0.4 chini ya Matazamo ya Kiuchumi ya Dunia (WEO) ya mwezi Aprili 2014. Ukadiriaji wa ukuaji wa dunia wa mwaka 2015 ulipunguzwa hadi asilimia 3.8.

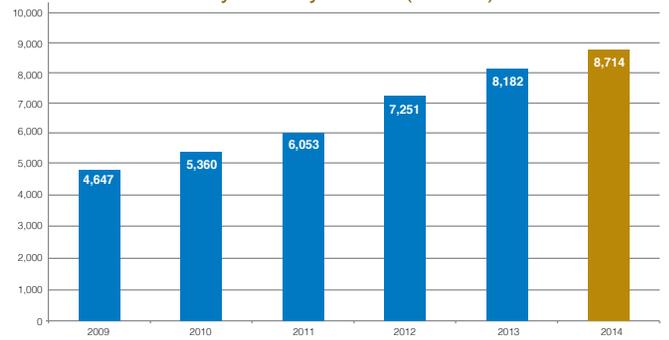
Ukuaji wa uchumi wa Kenya ulimarika hadi kufika asilimia 5.3 mwaka jana, lakini ukuaji huo unaweza kuimarika zaidi mwaka huu, hasa kutokana na kushika kasi kwa sekta mbalimbali. Nchi hii imeng'ang'ana kufikia uwezo wake wa ukuaji ambao ni zaidi ya asilimia 6 katika miaka ya hivi majuzi, hasa kutokana na changamoto mbalimbali

Taarifa ya Mwenyekiti inaendelea...

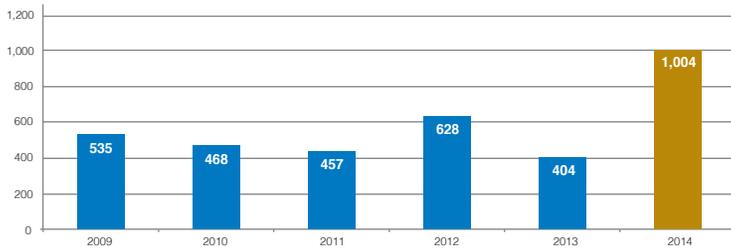
Mapato ya Jumia (Shs m)



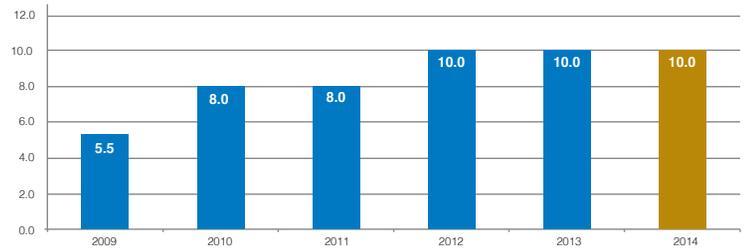
Hazina ya Wenye Hisa (Shs m)



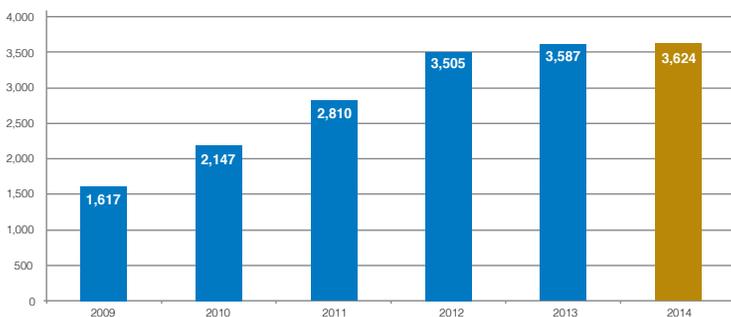
Matumizi ya Mtaji (Shs m)



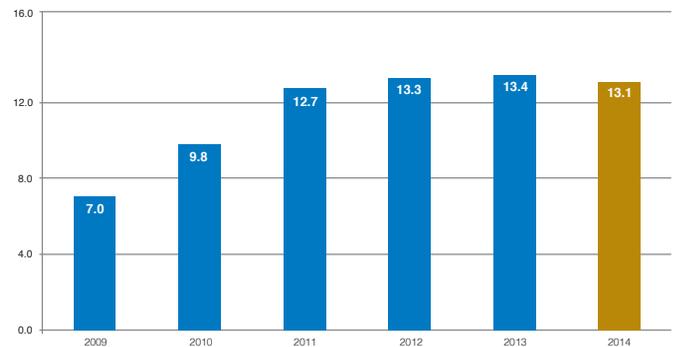
Mgao Kwa Kila Hisa (Shs)



Faida Kabla ya Kutozwa Ushuru (Shs m)



Mapato Kwa Hisa (Shs)



Taarifa ya Mwenyekiti inaendelea...

ikiwemo hali ya kisiasa isiyobashirika, viangazi vya kila mara na mashambulio ya kila mara ya kigaidi.

Shirika hili lilikumbana na changamoto za kiutendakazi ambapo tanzu kadhaa za ukanda huu zilipata pigo kutokana na vikwazo vya serikali, hasa ilivyodhihirika pale gazeti la *Mwananchi* ilipopigwa marufuku ya siku 14 mwisho wa 2013, na majuzi zaidi, kupigwa marufuku kwa *The EastAfrican* kusambazwa nchini Tanzania.

Nchini Kenya, hatua ya uhamiaji hadi mfumo wa upeperushaji wa matangazo kwa njia ya kidijitali na kuzimwa na serikali kwa mfumo wa analogi kulisababisha kufungwa kwa vituo vya runinga vya NTV na QTV kwa muda wa wiki tatu katika miezi wa Februari na Machi 2015. Uhamiaji hadi mfumo wa kidijitali utakuwa na athari mbaya kwa utazamaji wa runinga, kwa kuwa watu wasiokuwa na ving'amuzi hawataweza kuangalia televisheni zao ikiwemo vile vituo visivyohitaji kulipiwa ili kutazama matangazo yake.

Shirika hili limechukua hatua za kisheria katika juhudi za kujikinga dhidi ya majaribio ya serikali ya kuvuruga uhuru wa vyombo vya habari kama ilivyoandikwa kwenye Katiba, na athari za mamlaka ya kudhibiti uanahabari kwa matangazo

yanayopeperushwa katika runinga.

Licha ya mazingira ya utendaji yenye changamoto, Bodi hii ina furaha kutangaza matokeo yaliyoimarika ya Shirika hili mwaka jana.

Mazingira ya kiuchumi yalisababisha mashirika mengi ya kibiashara kupunguza bajeti zayo za matangazo ya biashara, lakini ukakamavu katika uuzaji na matoleo ya ubunifu yalipiga jeki mapato yetu na kuhakikisha matokeo yaliyoimarika yanapatikana. Habari nzuri za kitengo cha uhariri pia ziliimarisha umaarufu wa vitengo vyetu mbalimbali vya uanahabari.

Ukuaji

Upanuzi wa kiukanda na uimarishaji wa nguvu zetu sokoni utapewa umuhimu katika mikakati yetu muhimu ya kudhihirisha ufaafu wa wingi wa vitengo vyetu vya uanahabari.

Tanzu zetu za kiukanda zinazidi kutoa mchango mzuri katika ufikiaji wa malengo yetu.

Ninaona fahari kuwajulisha kuwa mtambo mpya na wa kisasa wa uchapishaji wa Shirika hili, ambao utaimarisha ubora wa jumla wa machapisho na kuwezesha uongezaji wa kurasa za magazeti na kuimarisha rangi za machapisho hayo, umo katika hatua za mwisho za uundwaji.

Kazi ya kujenga ukumbi wa mtambo huo mpya katika kiwanda chetu kilicho barabara ya Mombasa Road pia inaendelea vyema na tunatarajia uzinduzi wa mtambo huo katika robo ya nne ya mwaka huu.

Sera za uhariri na matarajio ya baadaye

Ningependa kuwashukuru hasa Kamati ya Bodi ya Uhariri na wanahabari waliojitolea bila kuchoka ili kuhakikisha habari zisizoegemea upande wowote, zisizopotosha na zilizo wazi zinarijotwa katika mwaka mzima.

Kwa jumla, mazingira ya kibiashara yanatazamiwa kuimarika katika mwaka wa 2015, na maazimio yetu ni kubakia tukiwa na umakinifu katika kuandama na kutumia vyema rasilmali zetu kwenye mikakati itakayowezesha Shirika hili kudakia nafasi zinazoibuka ili kukuza biashara zetu mbalimbali.

Ningependa kuwashukuru kwa dhati wakurugenzi wakuu wenzangu, usimamizi na wafanyakazi wa Shirika hili, pamoja na wateja na washirika wetu wa kibiashara, kwa mchango wao maridhawa pamoja na mchango wao mkubwa katika ufanisi wa Shirika hili.

W D Kiboro

MWENYEKITI WA SHIRIKA

Group Chief Executive Officer's Report



Linus W Gitahi
Group Chief Executive Officer

“The new state of the art printing press is expected to improve the overall print quality, enhance the newspaper pagination and increase the colour capacity, in tandem with the Group’s expanding print business.”

Group Chief Executive Officer's Report

I am pleased to present the Group's audited financial results for the year ended 31st December 2014. Despite a challenging economic environment coupled with one-off election-related income earned in 2013, the Group managed to achieve a slight improvement in its profitability. Insecurity, especially terrorism and political risks, were the key challenges that affected the business environment.

Financial performance

The Group's profit before tax at Shs 3.6 billion, represented a slight improvement over the previous year's results, this notwithstanding an adverse impact of Shs 230 million charge in the accounts in respect of accelerated depreciation and write off of the analogue television broadcasting equipment and the old printing press, together with their associated spares.

The Group's turnover at Shs 13.4 billion was at par with the previous year's achievement.

Nation Newspapers Division

The division recorded a marginal decline in profitability, with *The EastAfrican* and the *Business Daily* recording improved performance.

The EastAfrican's revenue and operating profit grew by 7 per cent on the back of creative selling through supplements. The performance of the publication, will be adversely affected by the ban in circulation by the Government of Tanzania.

The *Business Daily's* performance significantly improved with revenue growing by 10 per cent while operating profit grew by 85 per cent.

NTV - Kenya

Television broadcasting in Kenya registered an impressive performance with advertising revenue growing by 23 per cent, while operating profit grew by 1,854 per cent. This was driven by revenue generation and prudent cost management.

NTV - Uganda

Advertising revenue grew by 7 per cent while operating profit grew by 1 per cent.

Mwananchi Communications

The subsidiary expanded to the lake zone region in order to grow the circulation copies. This is expected to benefit the company in the long run as we consolidate the distribution in this expansive region.

Monitor Publications

Monitor Publications was reorganised and the leadership strengthened to ensure profitability under a difficult economic environment.

Nation Holdings Rwanda

Kfm radio was relocated to a new premises to improve signal transmission and reception and to reduce the administration costs.

Talent Management

The year saw several human resource interventions geared towards managing existing talent and recruiting new talent, particularly for the broadcasting, editorial and digital operations. This was imperative in the face of increasing competition in the media industry.

Talent acquisition, particularly in digital media, was key in the

Group Chief Executive Officer's Report **continued...**

development of new products and in recognition of the evolving digital media platforms.

Digital Division

As a result of the emphasis on digital media, the Group prides itself as the leading digital media house in the region with diverse products like nation.co.ke, nairobi.news.co.ke, n-soko.com, businessdailyafrica.com, ntv.co.ke, monitor.co.ug, citizen.co.tz, as well as several mobile applications.

Time and effort was also spent on re-alignment of the organisational structure to effectively address the dynamic challenges in the media industry. A new grading system was developed to align the Group's management structure to emerging human resource practices that support career development and succession-planning.

Prospects

The outlook for 2015 remains challenging but management remains cautiously optimistic of achieving good results.

The migration to digital signal transmission has had an adverse

impact on television viewership, but we are happy that our television stations NTV and QTV are now being received in many parts of the country where we previously had no frequencies. The three leading media houses (Nation Media Group, Royal Media and Standard Group), have entered into a joint venture and are going to be broadcasting on the digital platform under the auspices of the African Digital Network Limited, which has been issued with a temporary self-provisioning licence by the Communications Authority of Kenya.

Construction of a modern printing press hall began on November 27, 2014 at the company's premises on Mombasa Road. The new printing press has already been manufactured and will soon be delivered in Nairobi and is expected to be in operation by quarter 4 2015. The new state of the art printing press is expected to improve the overall print quality, enhance the newspaper pagination and increase the colour capacity, in tandem with the Group's expanding print business. The new press is expected to

support the circulation of print titles, in addition to providing extra printing capacity for new products.

Management has devoted considerable time and resources to improve the financial performance of the Group's subsidiary companies in the region.

We continue to lobby the Government of South Sudan to allow foreign publications to be sold in the country, where the Group's publications had gained popularity.

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

L W Gitahi
GROUP CHIEF EXECUTIVE OFFICER



Ripoti ya Afisa Mkuu Mtendaji



Linus W Gitahi
Afisa Mkuu Mtendaji wa Kampuni

"Mtambo huo wa kisasa unatarajiwa kuimarisha ubora wa machapisho kwa jumla, kuongeza idadi ya kurasa za magazeti na kuongeza ubora wa rangi, katika jitihada za kuafikia malengo ya Shirika hili ya kupanua biashara yake ya uchapishaji."

Ninaona fahari kuwatangazia matokeo ya kifedha ya Shirika hili yaliyokaguliwa katika mwaka uliomalizikia tarehe 31 Desemba, 2014. Licha ya kuwepo kwa mazingira yenye changamoto nyingi za kiuchumi pamoja na pato la mara moja lililotokana na uchaguzi wa mwaka 2013, Shirika hili lilifanikiwa kuimarika kiasi kidogo katika faida yake. Ukosefu wa usalama hasa katika suala la ugaidi na hatari za kisiasa, zilikuwa ndizo changamoto kuu ambazo ziliathiri pakubwa mazingira ya kibiashara.

Matokeo ya kifedha

Faida ya Shirika hili kabla ya kutozwa ushuru ilifika Shilingi 3.6

bilioni, hii ikiwakilisha uimarikaji mdogo ukilinganisha na mwaka uliotangulia, hii ni bila kuzingatia athari mbaya za Shilingi 230 milioni zilizotozwa katika akaunti zetu ili kusimamia upunguaji wa thamani na gharama ya vifaa vipya baada ya kuondolewa kwa mitambo ya zamani ya kurushia matangazo ya runinga ya analogi pamoja na gharama za mtambo wa zamani wa kuchapisha magazeti vikiwemo vipuri vyake. Mapato ya jumla ya Shirika hili ya Shilingi 13.4 bilioni yalitoshana na yale ya mwaka uliotangulia.

Nation Newspapers

Faida ya Kitengo cha Magazeti cha Nation ilipungua kwa asilimia 1, huku magazeti ya *The*

EastAfrican na *Business Daily* yakashuhudia ukuaji wa kadiri. Mapato ya *The EastAfrican* pamoja na faida ya kuendeshea shughuli ilikua kwa asilimia 7 kutokana na ongezeko la ubunifu wa matangazo ya kibiashara kwenye gazeti hilo. Hata hivyo, matokeo ya gazeti hili yataathiriwa vibaya na hatua ya Serikali ya Tanzania kupiga marufuku kusambazwa kwake nchini humo.

Matokeo ya *Business Daily* yaliimarika kwa kiasi kizuri ambapo mapato yalikua kwa asilimia 10 huku faida ya kuendeshea shughuli ikikua kwa asilimia 85.

NTV - Kenya

Matokeo ya matangazo ya runinga nchini Kenya yalikuwa ya kuridhisha huku mapato yaliyotokana na matangazo ya biashara kwenye runinga yakikua kwa asilimia 23, nayo faida ya kuendeshea shughuli ikikua kwa asilimia 1,854. Hii iliwezekana kutokana na mbinu za busara za kuleta mapato na kusimamia gharama.

NTV - Uganda

Mapato ya matangazo ya biashara katika utanzu wa NTV-Uganda yalikuwa kwa asilimia 7 huku faida ya kuendeshea shughuli ikikua kwa asilimia 1.

Mwananchi Communications

Tawi la kampuni yetu la Mwananchi Communications lilikumbwa na changamoto tele katika kipindi cha mwaka huo. Changamoto hizo zilitokana na upanuzi wa eneo la utendeakazi wake hadi katika ukanda wa mzima wa ziwa ili kukuza biashara ya usambazaji wa magazeti. Hatua hii inatazamiwa kuifaidi kampuni katika nyakati za hivi karibuni wakati tunapojitahidi kuimarisha mtandao wa usambazaji wa bidhaa zetu katika ukanda huo.

Monitor Publications

Idara ya usimamizi wa Monitor Publications ulibadilishwa na kuimarishwa zaidi ili kuhakikisha kupatikana kwa faida kwenye mazingira haya magumu ya kiuchumi.

Nation Holdings Rwanda

Kituo cha redio cha Kfm kilihamishwa hadi katika jengo jipya kwa lengo la kuboresha nguvu za kasimawimbi yake na pia kupunguza gharama ya usimamizi wa kibiashara.

Vipawa Vya Wafanyakazi

Usimamizi wa Wafanyakazi Katika mwaka huo mikakati kadhaa ya usimamizi wa wafanyakazi ilizinduliwa kwa madhumuni ya kuhakikisha kuwa upo usimamizi mzuri wa wafanyakazi waliopo na hali kadhalika kuajiri wengine wapya, hasa katika vitengo vya utangazaji, uhariri na pia kwenye kitengo cha masuala ya kidijitali. Hii ilikuwa muhimu hasa katika mazingira ya uanahabari yanayoendelea kushuhudia ushindani mkali.

Uajiri wa wafanyakazi, hasa katika kitengo cha kidijitali,

ulikuwa muhimu katika ubunaji wa huduma mpya na katika utambuzi wa kitengo cha habari cha kidijitali ambacho kinazidi kukua.

Kutokana na uzingativu mkuu kwa uanahabari wa kidijitali, shirika hili linajivunia hali ya kuwa shirika nambari moja la habari la kidijitali katika ukanda huu, likiwa na huduma mbalimbali kama vile nation.co.ke, nairobi.news.co.ke, n-soko.com, businessdailyafrica.com, ntv.co.ke, monitor.co.ug, citizen.co.tz, mbali na huduma kadhaa za simu ya mkono.

Hata hivyo, muda na juhudi zilielekezwa katika kuweka sawa taratibu za kishirika kwa lengo la kuingiliana na changamoto pana zilizomo kwenye sekta ya uanahabari. Mfumo mpya wa kuweka wafanyakazi katika viwango mbalimbali ulibuniwa ili kutayarisha usimamizi kuhusu mienendo mipya ya kiusimamizi ya wafanyakazi kwa dhamira ya kuwezesha ukuaji na kuboresha utaalumu na urithi wa nafasi zinazobaki wazi.



Ripoti ya Afisa Mkuu Mtendaji inaendelea...

Matarajio

Mustakabali wa 2015 unabakia kuwa changamano huku kitengo cha usimamizi kikiwa na matumaini, ijapokuwa kwa tahadhari, kwamba hatimaye shirika litayafikia matokeo mazuri.

Uhamaji hadi katika mfumo wa upeperushaji matangazo wa dijitali umekuwa na athari mbaya kwa utazamaji wa runinga, lakini tuna furaha kuwa vituo vyetu vya runinga za NTV na QTV sasa vinaendelea kupokelewa katika maeneo mengi nchini hata yale ambayo mawimbi yetu hayakuwa yanafika hapo awali. Vyumba vya habari vinavyoongoza nchini (Nation Media Group, Royal Media na Standard Group) vimeingia katika ushirikiano na sasa vinaelekea kupeperusha matangazo zao kupitia mfumo mmoja wa kidijitali unaojulikana kama African Digital Network Limited, ambao umeruhusiwa baada ya kupokezwa leseni ya kijidhibiti binafsi iliyotolewa na Mamlaka ya Mawasiliano nchini

Kenya (CCK kwa sasa ikijulikana kama CAK).

Ujenzi wa ukumbi wa kuhifadhi mtambo wa kisasa wa kuchapisha magazeti ulianza tarehe 27 Novemba, 2014 katika kiwanda cha kampuni hii kilichoko katika barabara ya Mombasa Road. Mtambo mpya tayari umeundwa na hivi karibuni utasafirishwa hadi Nairobi na unatarajiwa kuanza kazi katika robo ya nne ya mwaka huu wa 2015.

Mtambo huo wa kisasa unatarajiwa kuimarisha ubora wa machapisho kwa jumla, kuongeza idadi ya kurasa za magazeti na kuongeza ubora wa rangi, katika jitihada za kuafikia malengo ya Shirika hili ya kupanua biashara yake ya uchapishaji. Mtambo mpya unatarajiwa kuboresha usambazaji wa machapisho, mbali na kutoa uwezo zaidi wa kuchapisha bidhaa mpya.

Idara ya Usimamizi umetenga muda wa kutosha pamoja na rasilimali ili kuimarisha matokeo ya kifedha ya kampuni tanzu za Shirika hili katika ukanda huu.

Tunaendelea kujadiliana na Serikali ya Sudan Kusini kuruhusu magazeti ya kigeni kuuzwa nchini humo, ambapo machapisho ya shirika hili yalikuwa yameanza kupata umaarufu.

Ningependa kutoa shukrani zangu za dhati kwa Bodi ya Wakurugenzi Wakuu, wafanyakazi, pamoja na wadau wetu wote kwa mchango wenu na tunatazamia ushirikiano wenu utatuwezesha kufanikisha matokeo yaliyoimarika katika mwaka ulio mbele yetu.

L W Gitahi
AFISA MKUU MTENDAJI WA
KAMPUNI



#qfmkenya



@QFMKENYA



Idhaa inayo kujumuisha kuburudisha na kukuhusisha

**- Nairobi 94.4FM - Eldoret 96.7FM - Mombasa 87.9FM - Malindi 97.6FM - Nakuru 103.3FM
- Kisumu 102.1FM - Mwingi 98.0FM - Meru 107.1 FM - Nyeri 99.9FM - Kisii 96.1FM**

Corporate Social Responsibility

KENYA

1. COMMUNITY SPONSORSHIP

Police - Media Training

Nation Media Group conducted a two-day training seminar for Nairobi Area Senior Police Officers, at the Nairobi Police Training Centre on Ngong Road.

The training was done in conjunction with the Media Council of Kenya and the Public Relations Society of Kenya from July 30 to 31, 2014. Nation Media Group's Editorial and Legal departments also played a key role during the training.

2. EDUCATION

Nation 'Get on the Bus' Excellence and Mentorship Programme.

The year 2014 saw the Nation 'Get on the Bus' Excellence & Mentorship Programme graduate 30 students from Form 4, all hailing from various National schools in the country. So far, 264 students have benefited from the programme with 84 in Kenya, 80 in Uganda and 100 in Tanzania under the 'Paa na Mwananchi' scholarship programme.

Newspapers in Education (NiE)

The Newspapers in Education (NiE) programme continued with the partnership with Promoting Access to Community Education (PACE) in teacher-training and reading clubs across the country. NiE has expanded to Oyugis, Nyakimincha, Busia and parts of Western, in addition to the rest of Kenya. A total of 133 schools participated in the programme.

3. HEALTH

Nation Media Group rehabilitated the Thyroid Cancer Ward at Kenyatta National Hospital in December of 2014, a project initiated by Diana Mwango of *Business Daily* who is a Thyroid Cancer Survivor. This facility will benefit those diagnosed with Thyroid Cancer to have a more comfortable stay while receiving treatment.



Police Media Training in Nairobi



NiE Coordinator at St. George's School in Eldoret

Corporate Social Responsibility *continued...*

Donations	Amount Shs.
Angel Centre Children Home	50,000
Mpeketoni Victims	480,634
Nyeri Hospice	100,000
Keburunga Primary School	500,000
Boka Primary School	250,000
St. George's Primary School – Eldoret	25,000
Construction of a classroom in Gakawa Primary School	1,500,000
Starehe Girls 10th Annual Dinner	100,000
Red Cross Annual Dinner	100,000
Rotary Club of Nairobi	50,000
Swimarathon	
Lewa Marathon	500,000
Launch of Mama Sarah	200,000
Obama Foundation	
Catholic Diocese of Muranga Fundraiser	400,000
Reckitt Benckiser Golf Tournament	400,000
KCA Founders Day Silver Jubilee	50,000
Kenya Open Golf Sponsorship	100,000
Kiambu University Sponsorship	300,000
Machakos School for the Deaf	100,000
Kizurini Special School - Kilifi County	100,000
Rehabilitation of the Thyroid Cancer Ward at KNH	1,000,000
Total	6,305,634



Group Finance Director Stephen Gitagama presenting gifts to Tabitha Karanja of Keroche Breweries and Vimal Shah of Bidco Africa at the MPL Thought Leadership Forum



The panelists, staff of MPL and the guest of Honour at the Full woman health forum



Monitor Staff painting an Orphanage during the be the difference Campaign



Corporate Social Responsibility *continued...*

TANZANIA

MWANANCHI COMMUNICATIONS

1. Paa na Mwananchi Scholarships:

MCL, paid school fees and full scholarships for 100 needy students who have been supported since 2012. The program's main objective is to groom future leaders of Tanzania through Education and Mentorship.

2. Vendor Scholarship Programme:

Children or relatives of MCL newspaper vendors have an opportunity to continue with their studies through the vendor scholarship, commonly referred to as "Faidika na Udhambi wa Elimu". In 2014, the initiative supported 18 students and is currently in its 4th year of operation.

3. Community Projects:

- a. In conjunction with the Benjamin Mkapa Foundation, MCL was part of the fundraising push for the regional Home Based HIV project.
- b. SOS Village of Tanzania, received fundraising support from MCL towards their annual fundraising exercise.
- c. Mobilization and support for the Annual Tanzania Health Summit (THS) which brought together over 600 stakeholders, local and international, from the health sector to discuss the trends of the Health Industry.
- d. MCL publications came together to support a needy case of a lady, deserted by her family after giving birth to conjoined twins. After a successful operation to separate the babies, MCL raised cash to enable her to support her family with food and a motorcycle for sustainable income.



Photos of once-conjoined twins Elius and Elikana from Mbeya Tanzania. Mwananchi Communications Limited broke the news and facilitated fund raising to India for separation surgery, and later on fundraising for subsistence of their family after coming back.

Corporate Social Responsibility *continued...*

UGANDA

MONITOR PUBLICATIONS

1. Monitor Mentorship and Excellence Awards Programme (Monitor Bus)

In efforts to improve the quality of products of the Education system in Uganda and as part of our corporate social responsibility, Monitor Publications Limited continues to pay school fees for students through the Mentorship and Excellence Awards. Currently MPL is mentoring and sponsoring 61 students across the country.

2. Newspapers In Education (NIE)

Championed by newspapers around the world, NiE is a unique way for schools, business and the local newspaper to work together in a partnership that benefits all now and in the future. The programme brings together aspects of research, training, storytelling, use of mother tongue in reading- with translation of the newspaper content by the teachers, and government involvement through our sponsors. This programme is covered in all regions of Uganda.

The programme has been running since March 2007 to-date and has been rolled out countrywide through sponsors like Jinja Federation of Communities, Busia Federation of Communities, Lango Federation of Communities, Kampala Federation of Communities, PEASE Uganda and InterAid Uganda.

3. Fullwoman Health Camp

Full Woman is a product that runs in the *Daily Monitor* newspaper every Saturday. In 2014, we hosted over 1,500 attendees at the Kampala Serena Hotel under the theme, "Women Inspire Women". The guest of honor was the Queen of Buganda, Her Royal Highness Sylvia Nagginda. This had panelists

(experts) discuss women issues. There were exhibitors with different health related products show case their products. The event is a way of giving back to readers by availing them a platform to learn and acquire information on different health issues.

4. Thought Leaders Forum

Monitor Thought Leaders forum is an annual event. It is held towards the end of the year and helps the public and private sector leadership take time off to reflect on the past year and to identify issues that need to be addressed. It is an event that highlights one of our core values "Pursuit for Excellence" and the move to ensure that we make a positive impact to business leadership in Uganda. Last year, Mr. Vimal Shah (CEO Bidco group) together with Mrs. Tabitha Karanja (CEO Keroche Breweries) were the Keynote speakers.

5. MPL "Be The Difference" Campaign

Monitor Publications Limited Staff were tasked to identify CSR activities to participate in. Through contributions from other companies, they were able to donate scholastic material to rural schools, food to orphanages, clean hospitals, etc. The campaign ran for 3 months.

6. CSR Partnerships

Monitor Publications Limited partnered with other stakeholders in a number of CSR activities and they include the following;

- ▶ The Rotary Cancer Run – 31st August 2014
- ▶ The Aga Khan University Hospital Family Medical Camp – 30th – 31st August 2014.
- ▶ The Annual Lions Club Run for Sight – 5th October 2014.



Human Resources

Talent Management

Nation Media Group believes in the continuous sourcing and development of talent to build future business leaders. In 2014 there were several HR interventions geared towards managing existing talent and sourcing of new talent particularly for the broadcasting, editorial and digital media operations. This was imperative taking into account the increased competition in the media industry. Talent acquisition particularly in Digital Media was key in the development of new products and in recognition of the evolving digital media platforms.

Time and effort was also spent on re-alignment of the organization structures to effectively address the dynamic challenges in the industry. A new grade system was developed to align the Group's management structure to emerging HR practices that support career development and succession planning.

Learning and leadership development:

Leadership and management development is a continuous process at NMG, and in partnership with the Strathmore Business School, amongst other leading academic institutions, four senior managers completed leadership training courses in various disciplines as they prepare to take on higher responsibilities.

In addition to the training initiatives in leadership development, we have continued to train staff from the subsidiary companies who have performed well and have the potential to become future business leaders. Intercompany talent exchange continues to play a key role in capacity building for the Group. In 2014 there were 10 employees working away from their home countries, as we invest in people to raise business capabilities and awareness within the Eastern Africa Region.

International Training and Work Exposure

In 2014, seven staff members were awarded scholarships and attachments abroad. Four employees attended the Alfred Friendly scholarship in the United States of America, while the other three attended the Erasmus Mundus programme, the Chevening Scholarship and Oxford University in the UK. All the employees are members of the Group's key talent pool.

Inter Department Sports Competition

Employees are always encouraged to lead a balanced life in order to build not only their careers, but also their physical well being and their relationships with families. The annual sports day was held on a cold October morning that brought out the competitive streak in everyone. The full day event was won by the Broadcasting Division who managed to edge out the Advertising team in the last race of the day.

This event is replicated across the Group's subsidiaries to encourage people to invest time in physical well being and social engagement.

Awards & Recognition

Kenya

More than 20 recognition awards from internationally recognized Media bodies and Universities were awarded to our journalists, namely;

- CAPA Award of Excellence for Development in Africa.
- Energy Journalism Excellence Awards (EJEA) in Nuclear Energy and Oil & Gas
- David Astor Journalism Award
- 10 Media Council Awards in various categories
- EAC/EABC Chairman's award for the best business writing
- 5 Kenya Medical Population (KEMEP) Awards
- Msanifu Wa Kiswahili Award.

NTV Uganda

- Annual Social Media Awards NTV scooped the awards for Best Media Outlet and Best News and Information Company in 2014.
- The World Savers Excellence Awards recognized Senior Parliamentary Reporter Agnes Nandutu as the female personality in the media category.
- Florence Naluyimba, a health reporter was also feted by the Ministry of Health for her expansive coverage of health matters, particularly, immunization in the year.
- NTV Uganda's Sports Producer Robert Madoi best sports broadcast journalist by the Uganda Rugby Union.
- 2014 Kadanke Youth Awards.
 - ◆ Frank Walusimbi - Best News Icon
 - ◆ Simon Kasyate, NTV Uganda's Morning Show - Youth Corporate award
 - ◆ Douglas Lwanga, NTV Uganda's musical show host - Best Male TV Personality
 - ◆ MC Kat's also a host on The Beat took home Host of the Year

NTV'S NEWS ANCHORS



11



Human Resources

Timothy Wanyonyi receiving The Commonwealth Association of Polytechnics in Africa (CAPA) Award of Excellence for Development in Africa.

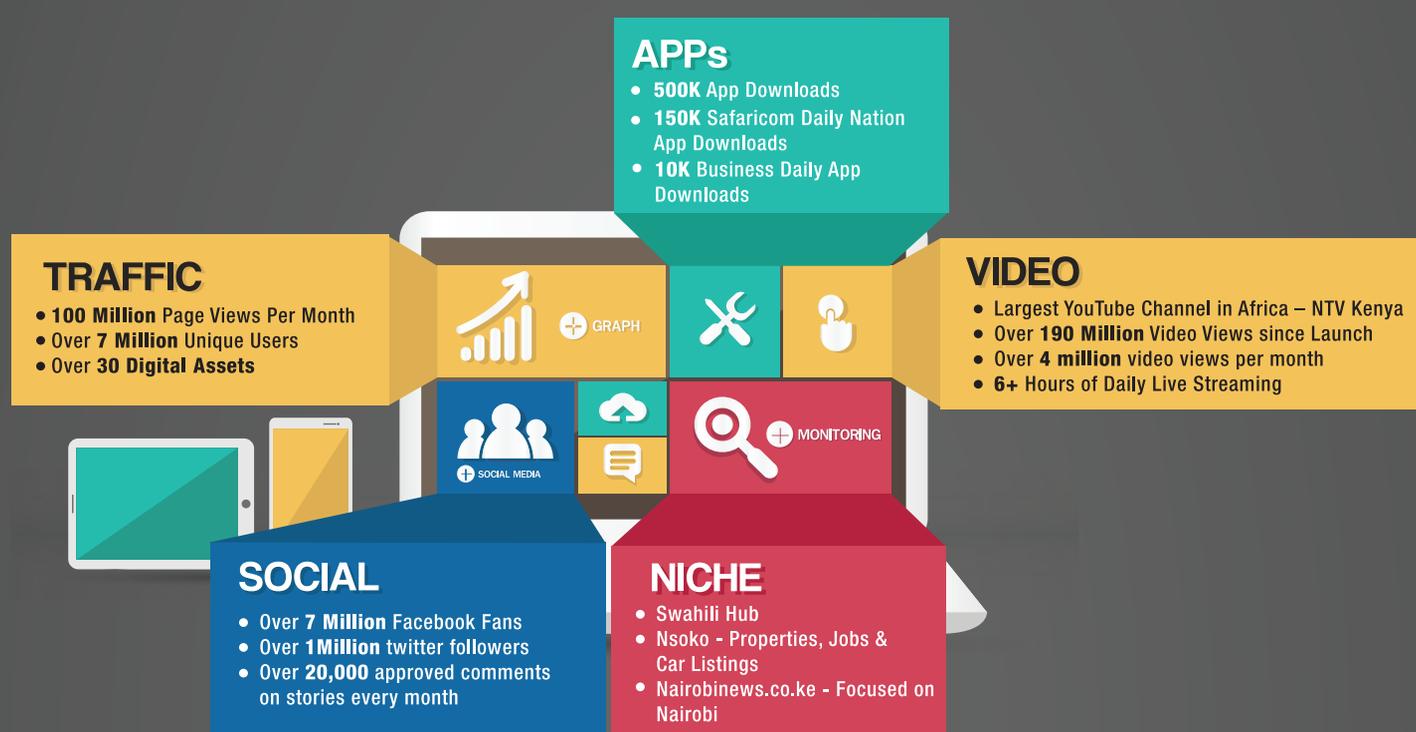


Allan Odhiambo of Business Daily receiving Scholarship to study in the USA after emerging as the overall winner the Energy Excellence Awards (EJEA) in Nuclear energy, Oil and Gas -2014.



Group Websites

▶ THE NATION DIGITAL FOOTPRINT



KENYA STRATEGY

- NATION.CO.KE
- NSOKO PROPERTIES
- ZUQKA.COM
- NTV.CO.KE
- NAIROBINEWS.CO.KE

REGIONAL STRATEGY

- NSOKO JOBS
- THE EAST AFRICAN
- SWAHILIHUB.COM
- MONITOR.CO.UG
- THECITIZEN.CO.TZ
- MWANANCHI.CO.TZ

AFRICA STRATEGY

- AFRICA REVIEW
- BDAFRICA.COM

Board of Directors

Halmashauri Ya Wakurugenzi

W D Kiboro	Chairman (Kenyan)	Mwenyekiti (Mkenya)
L W Gitahi	Group Chief Executive Officer (Kenyan)	Afisa Mkuu Mtendaji (Mkenya)
D Aluanga	(Kenyan)	(Mkenya)
R Dowden	(British)	(Mwingereza)
S Gitagama	(Kenyan)	(Mkenya)
L Huebner	(American)	(Muamerikani)
Y Jetha	(British)	(Mwingereza)
N Karago	(Kenyan)	(Mkenya)
S Kagugube	(Ugandan)	(Muganda)
J Montgomery	(British)	(Mwingereza)
O Mugenda	(Kenyan)	(Mkenya)
L Mususa	(Tanzanian) Appointed 20 March 2015	(Mtanzania) Aliteuliwa 20 Machi 2015
Z Muro	(Tanzanian) Resigned 30 May 2014	(Mtanzania) Alijiuzulu 30 Mei 2014
F O Okello	(Kenyan)	(Mkenya)
A Poonawala	(Swiss)	(Muswiss)
G M Wilkinson	(Irish)	(Mu-Irish)
J C Kinyua	Secretary	Katibu
Nation Centre	Registered Office	Afisi ilioandikishwa
Kimathi Street		
P O Box 49010 00100		
Nairobi		
Hamilton Harrison & Mathews	Advocates	Wakili
ICEA Building		
Kenyatta Avenue, Nairobi		
PricewaterhouseCoopers	Auditors	Wakaguzi wa Hesabu
PWC Tower, Waiyaki Way/		
Chiromo Road		
Westlands, Nairobi		
Standard Chartered Bank of Kenya Limited	Bankers	Benki
Chiromo No. 48 Westlands		
Road, Nairobi		



Board of Directors' Profiles



MR. WILFRED KIBORO

Mr. Wilfred Kiboro (70) holds a Bachelor of Science (Civil Engineering) from the University of Nairobi. He retired from NMG as the Group Chief Executive Officer on 31st October 2006 after working for the Company for thirteen years. He was appointed a non-executive director in December 2006 and was elected the Chairman of the Board in September 2009. He is a member of the Nominations Committee. Mr. Kiboro is the Chairman of Family Bank Limited, Wilfay Investments Limited and Icon Farm Limited.



MR. LINUS GITAHI

Mr. Linus Gitahi (52) holds an MBA from the United States International University and a Bachelor of Commerce (Accounting) from the University of Nairobi. He is a Fellow of the Kenya Institute of Management. 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 the Chairman of the Federation of Kenya Employers, a director of the International Press Institute, the Africa Media Initiative, the Group's subsidiary companies and PDM Holdings Limited, an associate Company. Mr. Gitahi was honored by the President and awarded the Moran of the Burning Spear (MBS). He is a member of the Nominations, the Editorial and the Strategic Planning Committees.



MR. DENNIS ALUANGA

Mr. Dennis Aluanga (47) holds an MBA from the University of Edinburgh (United Kingdom) and is a Certified Public Accountant of Kenya. He was appointed to the board in March 2009. He is a Partner at Helios Investment Partners, an Africa focused private investment firm. He was previously the Chief Operating Officer at Industrial Promotion Services (East Africa) and has also worked at NMG as the Group Finance Director and the Chief Operating Officer. He is also a director of Equity Bank Limited and Vivo Energy Kenya Limited. Mr. Aluanga chairs the Finance and Audit Committee and is a member of the Editorial Committee.



MR. RICHARD DOWDEN

Mr. Richard Dowden (65) 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 the BBC and Channel 4 television stations in the UK and is the author of the book Africa: Altered States, Ordinary Miracles which was published in 2008. He joined the board in March 2010 and is a member of the Editorial and the Strategic Planning Committees.



MR. STEPHEN GITAGAMA

Mr. Stephen Gitagama (48) 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

Prof. Lee Huebner (74) holds a Ph.D and an MA from Harvard University and a BA from Northwestern University (USA) and is a Professor of the School of Media and Public Affairs at The George Washington University in Washington, D.C. (USA). He was formerly a professor at Northwestern University and has also served as the Chief Executive Officer of the International Herald Tribune in Paris for fourteen years. He joined the board in December 1995. Prof. Huebner is the Chairman of the Strategic Planning Committee and is a member of the Nominations Committee.



DR. YASMIN JETHA

Dr. Yasmin Jetha (62) holds a Master of Science in Management Science from Imperial College (London) and a Bachelor of Science in Mathematics from London University (United Kingdom). She is a Fellow of the Chartered Institute of Management Accountants, was awarded an honorary Doctor of Laws degree by the University of Leicester (United Kingdom) in 2005 and was made an honorary Fellow of the University of Bedfordshire (United Kingdom) in 2011. She was the Chief Information Officer prior to her retirement in 2014 at Bupa, a leading health care company and was previously the Chief Operating Officer at the Financial Times (United Kingdom). Dr. Jetha joined the board in September 2009 and is the Chairman of the Human Resources and Remuneration Committee and a member of the Strategic Planning Committee.



MS. NJERI KARAGO

Ms. Njeri Karago (54) holds a Masters of Fine Arts Degree (Theatre, Film and Television) from the University of California and a Bachelor of Arts degree from Kenyatta University. She has over 20 years experience in professional film making, with emphasis on development and production, and is recognised as a leader in the field of film production, having produced a number of high profile award winning films. She was appointed to the board in March 2013 and is a member of the Strategic Planning Committee.

Board of Directors' Profiles



DR. SIMON KAGUGUBE

Dr. Simon Kagugube (59) holds a Ph.D in International Humanitarian Law, a Doctor of Science of Law in Immigration, Refugees and Asylum Law and a Masters of Laws in Corporation Law, Taxation and International Trade Systems, all from Yale University (USA) and a Bachelor of Laws from Makerere University (Uganda). He is the Executive Director of Centenary Rural Development Bank Limited in Uganda. He joined the Board in September 2011 and is the Chairman of the Board of Monitor Publications Limited in Uganda. Dr. Kagugube is a member of the Finance and Audit Committee.



MR. JAMES MONTGOMERY

Mr. James Montgomery (49) holds a Bachelor of Arts in Politics and Philosophy (Hons) from the University of Durham (UK). He is the Controller, digital and technology, BBC Global News which provides international news features in 27 languages. He previously worked as an Assistant Editor for the Financial Times. Mr. Montgomery joined the Board in September 2012 and is a member of the Strategic Planning Committee.



PROF. OLIVE MUGENDA

Prof. Olive Mugenda (60) 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 University since 2006, where she has held various senior lecturing positions since 1984. Prof. Mugenda joined the board in September 2010 and is a member of the Editorial and the Human Resources and Remuneration Committees.



MR. LEONARD MUSUSA

Mr Leonard Mususa (61) is a Fellow of the Association of Chartered Certified Accountants (UK) and a Fellow Certified Public Accountant (Tanzania). He was the Country Senior Partner of PricewaterhouseCoopers until his retirement in June 2014. He has served as Regional Head of Risk and Quality of the PWC Assurance business covering 9 countries, as well as the Overall Head of Risk and Quality of the East African Market. He was appointed to the NMG board in March 2015 and is the Chairman of Mwananchi Communications Limited in Tanzania. He is also the Chairman of ARM Cement Limited and a director of Reliance Insurance Company Limited and a member of the CEO Roundtable all in Tanzania.



MR. FRANCIS OKOMO OKELLO

Mr. Francis Okomo Okello (65) 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 (USA) and the Woodrow Wilson School of Public and International Affairs (USA) as well as a Fellow of the Kenya Institute of Bankers (FKIB). He is the Executive Director in charge of Legal and Corporate Affairs at Industrial Promotion Services (East Africa) Group of Companies. He joined the board in December 1995. Mr. Okello is the Chairman of Barclays Bank of Kenya Limited, an independent non-executive director of Barclays Africa Group Limited and Chairman of TPS Eastern Africa Limited (Serena Group of hotels and lodges). Mr Okello is the Chairman of the Editorial Committee.



MR. ANWAR POONAWALA

Mr. Anwar Poonawala (68) holds a Master of Science (Industrial Engineering) and an MBA from the University of Iowa (USA). He joined the board in June 1989. He has been associated with the Aga Khan Development Network for over thirty years and retired in 2006 as the director of Industrial Promotion Services based in Paris, France. Mr Poonawala is a director of AKFED. He is a member of the Finance and Audit, the Nominations and the Human Resources and Remuneration Committees.



MR. GERARD WILKINSON

Mr. Gerard Wilkinson (71) holds an MEcon.Sc and an 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, Managing Director, ASPACOS, Consorzio Costa Smeralda, Sardinia, Italy and as the 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

Mr. James Kinyua (51) (Group Company Secretary) holds a Bachelor of Laws (Hons.) from the University of Sheffield (United Kingdom) and a Bachelor of Arts (Political Science) from York University (Canada). He is an Advocate of the High Court of Kenya and is also a Certified Public Secretary of Kenya (CPS K) and a member of the Institute of Directors (Kenya). He is an alumni of the Cambridge University Advanced Leadership Programme. He was appointed the Company Secretary in July 1998 and is the head of the Legal and Administration department. He is a director of the Group's subsidiary companies.



Directors' Report

 The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2014, 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, radio and television broadcasting and digital online products, in the East African countries of Kenya, Uganda, Rwanda and Tanzania.

Group Results

The results of the Group for the year are set out in the Group statement of comprehensive income on page 44.

Dividends

The directors recommend the payment of a final dividend of Shs 7.50 per share (300%) on the issued share capital as at 31 December 2014, which together with the interim dividend of Shs 2.50 per share (100%) paid on 30 September 2014, makes a total of Shs 10.00 per share (400%) in respect of the year ended 31 December 2014 (2013: Shs 10.00 per share). The dividend will be paid less withholding tax where applicable on or about 30 July 2015 to shareholders registered on the member's register at the close of business on 15 May 2015. The Register of members will be closed from 18 to 22 May 2015, both dates inclusive.

Directors

The directors who held office during the year and to the date of this report are set out on page 34.

Mr L. Mususa was appointed to the Board on 20 March 2015 and in accordance with Article 96 of the Company's Articles of Association, he retires and being eligible offers himself for election.

Mr. R. Dowden, Mr. A. Poonawala, Dr. Y. Jetha and Mr. J. Montgomery 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.

Mr. W. Kiboro, Prof. L. Huebner and Mr. G. Wilkinson are directors who retire in accordance with Article 101 of the Company's Articles of Association and who are over the age of 70 years, and shall notwithstanding that fact, be re-elected as directors of the Company for a further period of one year.

Auditor

The Company's auditor PricewaterhouseCoopers has expressed willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap 486) Laws of Kenya.

Corporate Governance

Nation Media Group Limited is in compliance with the provisions of the Capital Markets Corporate Governance Guidelines. Over one third of the Board of Directors are independent and non-executive directors. The membership of the various board committees is listed on page 9.

By order of the Board

J C Kinyua
Secretary

20 March 2015

Ripoti ya Wakurugenzi Wakuu



Wakurugenzi wakuu wanafurahia sana kuwasilisha ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za mwaka uliomalizikia tarehe 31 Desemba 2014, ambazo zinaonyesha hali halisi ya mambo yalivyo katika Nation Media Group (Kampuni) pamoja na tanzu zake (kwa pamoja zikiitwa Shirika).

Shughuli Kuu

Shughuli kuu za Shirika hili ni uchapishaji, unakilishaji na usambazaji wa magazeti na majarida, zikiwepo shughuli za upeperushaji wa habari na matangazo ya redio na runinga pamoja na huduma za mtandao, katika nchi za Afrika Mashariki zinazojumuisha Kenya, Uganda, Rwanda na Tanzania.

Matokeo Ya Shirika

Matokeo ya Shirika hili ya mwaka huo yamenakiliwa katika taarifa kamili ya mapato ya Shirika hili kwenye ukurasa wa 44.

Migao

Wakurugenzi wakuu wanapendekeza malipo ya mgao wa mwisho ya Shilingi 7.50 kwa kila hisa (300%) kwenye kila mtaji wa hisa kufikia tarehe 31 Desemba 2014, ambayo kwa pamoja na mgao wa muda wa Shilingi 2.50 kwa kila hisa (100%) uliolipwa tarehe 30 Septemba 2014, yanafikisha jumla ya Shilingi 10.00 kwa kila hisa (400%) katika mwaka uliokamilikwa tarehe 31 Desemba 2014 (2013: Shilingi 10.00 kwa kila hisa). Mgao huo utalipwa baada ya kuondoa ushuru wa hifadhi pale panapostahili siku ya au karibu na tarehe 30 Julai 2015 kwa wenyehisa waliosajiliwa katika sajili ya wanachama, saa ya kufunga shughuli za siku tarehe 15 Mei 2015. Sajili ya wanachama itafungwa kuanzia tarehe 18 hadi 22 Mei 2015, siku zote zikijumuishwa.

Wakurugenzi Wakuu

Wakurugenzi walioshikilia mamlaka mwaka huo hadi tarehe ya kutolewa ripoti hii wameorodheshwa katika ukurasa wa 34.

Bw L. Mususa aliteuliwa kwenye Bodi tarehe 20 Machi 2015 na kulingana na Kifungu cha 96 cha

Mkataba wa Ushirikiano wa Kampuni, anastaafu lakini kwa kuwa anastahili anajitokeza kuchaguliwa.

Bw R. Dowden, Bw A. Poonawala, Dkt Y. Jetha

na **Bw J. Montgomery** ni wakurugenzi wakuu wanaostaafu kwa zamu kulingana na Kifungu cha 110 cha Mkataba wa Ushirikiano wa Kampuni na kwa kuwa wanastahili, wanajitokeza kuchaguliwa tena.

Bw W. Kiboro, Prof L. Huebner na Bw G. Wilkinson

ni wakurugenzi wanaostaafu kulingana na Kifungu cha 101 cha Mkataba wa Ushirikiano wa Kampuni na wanaozidi umri wa miaka 70, lakini bila kuzingatia uhalisia huo, wanajitokeza wachaguliwe tena kama wakurugenzi wa Kampuni hii kwa kipindi cha mwaka mmoja zaidi.

Wakaguzi Wa Mahesabu Ya Fedha

Mkaguzi wa Kampuni hii, PricewaterhouseCoopers, ameonyesha nia yake ya kuendelea kushikilia wadhifa huo kulingana na Sehemu ya 159(2) ya Sheria ya Kampuni (Ibara ya 486), Sheria za Kenya.

Usimamizi Wa Shirika

Kampuni ya Nation Media Group inadumisha sheria ya Muongozo wa Usimamizi wa Mashirika ya Masoko ya Mtaji. Karibu thuluthi moja ya Bodi ya Wakurugenzi Wakuu ni wakurugenzi walio huru na wasiokuwa watendaji. Wanachama wa kamati mbalimbali za bodi wameorodheshwa katika ukurasa wa 9.

Kwa amri ya Bodi

J C Kinyua
Katibu

Tarehe 20 Machi 2015



Executive Team Profiles



MR. LINUS GITAHI GROUP CHIEF EXECUTIVE OFFICER

Mr. Gitahi holds an MBA from USIU and a Bachelor of Commerce (Accounting) from the University of Nairobi. He is a fellow of the Kenya Institute of Management (KIM) and was honoured by the President with the Moran of the Burning Spear (MBS). Mr. Gitahi is the Group Chief Executive Officer and joined NMG in September 2006 and was appointed to the board in December 2006. He previously worked with Glaxosmithkline as the Managing Director based in Nigeria. He is the Chairman of Federation of Kenya Employers, a director of the International Press Institute, the Africa Media Initiative, the Group's subsidiary companies and PDM Holdings Limited, an associate company.



MR. TOM MSHINDI GROUP CHIEF OPERATING OFFICER

Mr. Mshindi, is a graduate of the University of Nairobi School of Journalism, and has an AMP certificate from Strathmore Business School and another from IESE, New York. He worked for the Nation Media Group in Nairobi as a journalist, rose to become the managing editor of the Daily Nation, before joining UNICEF as an editor in New York. He then served as UNICEF's chief of communication in its Nigeria programme; thereafter, he worked as the Chief Executive Officer of the Standard Media Group in Kenya, and later the Managing Director of Monitor Publications Ltd in Uganda (an NMG subsidiary). He has also worked as the Managing Director of the Nation Newspapers Division.



MR. JAPHET MUCHEKE GROUP FINANCIAL CONTROLLER

Mr. Mucheke joined Nation Media Group in 1997 from Deloitte & Touche. He has since then worked as the Group Chief Accountant and Group Internal Audit Manager before being promoted to Group Financial Controller in June 2008. Mr. Mucheke is a Certified Public Accountant of Kenya, a Certified SAP Consultant and holds a Bachelor of Commerce (Accounting) degree from the University of Nairobi and an MBA from the University of Leicester (UK).



MR. GABRIEL CHEGE GROUP IT DIRECTOR

Mr. Chege, MCSE, MCDBA, MCT, CCNA, Siemon CI, ITIL is the Group IT Director and holder of a Bachelor of Science degree in the Management of Information Systems. He joined the group in 2002 from PricewaterhouseCoopers (PwC); Global Technology Solutions (GTS) division and has industry experience spanning 15 years that has seen him work for a variety of companies within Eastern Africa.



MR. STEPHEN GITAGAMA GROUP FINANCE DIRECTOR

Mr. Gitagama 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, having joined NMG in 2007 and was appointed to the Board in March 2008. He previously worked as a Finance Director with East African Breweries Limited.



MR. MICHAEL NGUGI GROUP ADVERTISING DIRECTOR

Mr. Ngugi has been the Group Advertising Director since January 2009. He holds a BSc. degree from Jacksonville University, Florida, US and is an alumni of the Harvard Business School, General Management Programme. He has over 15 years' experience in sales and general management in the telecommunications, FMCG and petroleum sectors. Mr. Ngugi has previously held senior positions within the advertising and circulation functions of the Group.



MRS. ROSE LUTTA GROUP MARKETING DIRECTOR

Rose joined NMG in September 2014. She has over 12 years' experience in marketing and communications in the financial and media sector. Prior to joining NMG, Rose worked with Wananchi Programming Limited. Before that, she worked at Barclays Bank of Kenya, Britam and Standard Chartered Bank. Rose holds an MBA in Marketing, an IDPM Diploma and a CIM (UK) Diploma.



MR. CHRYSANTUS MACHESO GROUP HEAD OF AUDIT

Mr. Macheso joined NMG in 2012 from the Nairobi Securities Exchange. He has previously worked with PricewaterhouseCoopers and CARE International. Mr. Macheso is a Certified Public Accountant of Kenya, a Certified Information Systems Auditor, a Certified Quality Assessor of the Institute of Internal Auditors and holds a Bachelor of Commerce degree from the University of Nairobi.

Executive Team Profiles



MR. GIDEON ASWANI
GROUP HEAD OF PRODUCTION

Mr. Aswani holds an MBA in Finance from the University Of Leicester (UK) and a BSc from the University of Nairobi and is a qualified Mechanical Engineer. Mr. Aswani joined NMG as a mechanical engineer in 1995 having previously worked for Thomas De La Rue (K) Ltd and East African Breweries Ltd. He is the Chairman of the Kenya Association of Manufacturers, Machakos County Chapter.



MRS. AGNES ASIMWE-KONDE-
MANAGING DIRECTOR, NTV (U)

Mrs. Asimwe-Konde holds an MBA from the University of Liverpool (UK), a Bachelor's Degree from MUK and is a Chartered Marketer with CIM (UK). Prior to joining NTVU as Managing Director, Mrs. Asimwe-Konde worked for Monitor Publications Limited in Kampala and Crown Beverages Ltd Uganda where she was awarded the highest market share award from PepsiCo International for Africa, the Middle East and Asia. She has been voted among the top 50 women in Uganda and top 10 corporate ladies for two years in a row. She is a girl-child mentor for Rising Star in Uganda.



MR. JAMES KINYUA
GROUP COMPANY SECRETARY

Mr. James Kinyua holds a Bachelor of Laws (Hons.) from the University of Sheffield (United Kingdom) and a Bachelor of Arts (Political Science) from York University (Canada). He is an Advocate of the High Court of Kenya and is also a Certified Public Secretary of Kenya (CPS K) and a member of the Institute of Directors (Kenya). He is an alumni of the Cambridge University Advanced Leadership Programme. He was appointed the Company Secretary in July 1998 and is the head of the Legal and Administration department. He was in private practice prior to joining the group.



MR. DAVID KIAMBI
GROUP HR DIRECTOR

Mr. Kiambi joined NMG in March 2014. He has over 13 years' experience in HR leadership and management in the East African region gained mainly from the manufacturing and financial services sectors. Prior to joining NMG, Mr. Kiambi worked with NIC Bank Group as Director, Human Resources from 2006 - 2014. Before that, he worked with BAT from 1994 - 2005 in several capacities as the Group Human Resources Manager responsible for BAT Kenya, Uganda, Rwanda and the Horn of Africa. He was additionally the Head of HR of BAT Kenya, Factory Engineer and Manufacturing Manager. Mr. Kiambi holds a degree in Mechanical Engineering, MBA-Employee Relations and professional certifications in various specialized areas in HR.



MR. PHILIP VELESE
GENERAL MANAGER
NATION HOLDINGS
RWANDA LTD.

Mr. Velese has over 15 years' experience in sales and marketing and joined NMG in 1998. He has served as regional Circulation Manager, Head of Nation Carriers division, and, Commercial Manager. He holds a Bachelor of Arts degree from Kenyatta University and is currently pursuing an MBA in Marketing at University of Nairobi. He also holds a diploma in Business Management from KIM and is a Member of Kenya Institute of Management (MKIM).



MR. ANTHONY CRAIG GLENCROSS
MANAGING DIRECTOR MONITOR PUBLICATIONS LIMITED

Tony Glencross holds a diploma in strategic management from the Stellenbosch Business School, and has also pursued vocational courses in sales, professional learning, and personnel management. He is currently in the early stages of study towards a MBA degree at the University of Heriot-Watt (Edinburgh). He has worked in various management roles in the media industry in South Africa and Uganda. From 2003 to mid-2014, he was the Chief Commercial Officer at New Vision Printing and Publishing. He joined Monitor Publications in March 2015. He was also instrumental in setting up the Uganda Media Owners Association (UMOA) and served as the Chairman for three years, until June 2014.



MR. FRANCIS MAJIGE NANAI
MANAGING DIRECTOR
MWANANCHI COMMUNICATIONS LIMITED, TANZANIA

Mr. Nanai has over 12 years of Senior Leadership Role in Sales, Marketing & General Management. He joined Mwananchi Communications Limited, as Chief Operating Officer in August 2013 before being appointed to his current position in August 2014. His role entails ensuring that the business is running professionally, efficiently and profitably while maintain market leadership in the print media industry in Tanzania. Previously, he worked with Lafarge Tanzania as Commercial Director and as Marketing Manager at Coca-Cola Kwanza. Mr. Nanai holds a MBA in Marketing and a BA, in Economics (Hons).



MRS. ELIZABETH KYENGO
GROUP HEAD OF PROCUREMENT

Mrs. Elizabeth Kyengo holds an MBA in Strategic Management from the University of Nairobi, a Bachelor of Commerce (Accounting), is a Certified Public Accountant of Kenya (CPAK), a Certified International Procurement Profession (CIPP). She is a member of the Kenya Institute of Management (NKIM), ICOPA (K), (KISM) and (IAPM). Mrs. Kyengo Completed an Advanced Management Program (AMP) on leadership with Strathmore Business School (SBS) in 2014. She is an Alumni of Strathmore Business School and IESE university, Spain. She joined the Group in April 1995 from Coopers and Lybrand. She has held various positions within the Group. She is a board member of Mumias Sugar Company Ltd and Mhasibu Runda Holdings Ltd.



Executive Team Profiles



MR. LINUS KAIKAI
GENERAL MANAGER
TELEVISION

Mr. Kaikai is the General Manager of the television Division of the Nation Media Group, and also Chairman of the Kenya Editors Guild (KEG). Over the last 17 years, he has risen from an award-winning reporter to an experienced television journalist, skilled interviewer, seasoned moderator, a respected editor and media manager in Kenya. He is a holder of an MA in International Journalism from the University of Westminster UK. He has worked for local (Kenyan) as well as international media organizations, including work experience stints with the BBC and CNN. Mr. Kaikai has also produced several highly rated documentaries including 'The Rift in the Valley (2008)', 'The Making of a Constitution (2010)', 'Meet Jomo Kenyatta', 'Amani Room Whispers (2012)', 'Across 18 Holes (2013)' and the 'Moi, Mwai & Muigai (December 2013)' series on the history of power struggles in post-colonial Kenya.



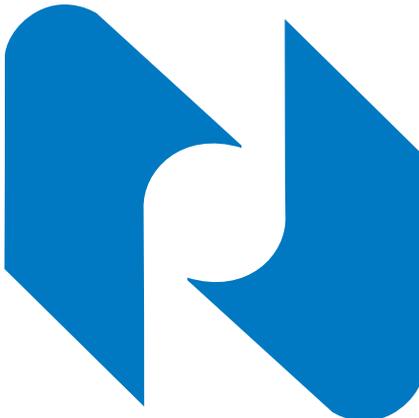
MR. AGASTEE KHANTEE
GENERAL MANAGER
DIGITAL DIVISION

Agastee joined NMG in June 2010. He holds a Master's Degree in Finance and Strategic Human Resources Management from the Brookes University in Oxford, UK and a Mechanical Engineering Degree, from RVCE, Bangalore, India. He has over 12 years' experience in digital marketing, product management and technology operations, having previously worked with Yahoo! Jagran, Financial Times in the UK and The Times of India in Delhi, India.



MR. MICHAEL WALEKWA
GENERAL MANAGER
CIRCULATION &
DISTRIBUTION

Mr. Walekwa is a Commercial professional with over 17 years work experience. He has worked in key commercial roles with FMCG companies in the region rising to the level of a Director with one of the global telecom companies (Airtel), Road Masters cycles, as the Regional Marketing Manager for the great lakes region (East Africa & DRC/Rwanda), Diageo (East African Breweries) as the Brand Manager and also as the Divisional Sales Manager. Mr. Walekwa holds a Bachelor's Degree in Commerce and a MSC - in Marketing from Makerere University and several certificates on strategic leadership and clientele relationship management.



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 are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- (ii) Selecting and applying appropriate accounting policies;
- (iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and of the Group and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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



W D Kiboro

20 March 2015



S Gitagama

20 March 2015



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



Report on the financial statements

We have audited the accompanying consolidated financial statements of Nation Media Group Limited (the Company) and its subsidiaries (together, the Group), set out on pages 44 to 83. These financial statements comprise the consolidated statement of financial position at 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2014 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2014 and of the financial performance 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

As required by the Kenyan Companies Act we report to you, based on our audit, 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; and
- iii. the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Peter Ngahu – P/No 1458

Certified Public Accountants

20 March 2015

Nairobi

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Partners: A Eriksson, K Muchiru, M Mugasa, F Muriu, P Ngahu, A Njeru, R Njoroge, B Okundi, K Saiti, R Shah



Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Note	2014 Shs m	2013 Shs m
Revenue	5	13,351.3	13,373.7
Cost of sales		(2,538.7)	(2,699.4)
Gross profit		10,812.6	10,674.3
Distribution costs		(375.2)	(355.2)
Administrative expenses		(1,080.0)	(1,115.0)
Other expenses		(6,222.4)	(5,950.2)
Operating profit	6	3,135.0	3,253.9
Finance income	8(a)	299.0	280.8
Finance costs	8(b)	(11.6)	(15.3)
Share of profit after income tax of associate	18	201.6	67.7
Profit before income tax		3,624.0	3,587.1
Income tax expense	9	(1,163.5)	(1,053.9)
Profit for the year (of which Shs 2,124.6 million has been dealt within the accounts of the Company)		2,460.5	2,533.2
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(53.3)	49.7
Other comprehensive income from associate	18	3.0	42.8
		(50.3)	92.5
Total comprehensive income for the year		2,410.2	2,625.7
Profit for the year attributable to:			
Owners of the parent		2,464.4	2,528.5
Non-controlling interest		(3.9)	4.7
		2,460.5	2,533.2
Total comprehensive income attributable to:			
Owners of the parent		2,418.1	2,615.7
Non-controlling interest		(7.9)	10.0
		2,410.2	2,625.7
Basic and diluted earnings per share (Shs)	10	13.1	13.4

The notes from page 50 to 83 are an integral part of these financial statements.



Consolidated Statement of Financial Position

at 31 December

Annual Report and Financial Statements 2014

	Note	Group		Company	
		2014	2013	2014	2013
		Shs m	Shs m	Shs m	Shs m
CAPITAL EMPLOYED					
Capital and reserves attributable to the Company's equity holders					
Share capital	11	471.4	471.4	471.4	471.4
Other reserves	12	63.3	119.2	127.9	131.1
Retained earnings		6,765.4	6,176.9	5,485.0	5,242.7
Proposed dividends	25	1,414.1	1,414.1	1,414.1	1,414.1
		8,714.2	8,181.6	7,498.4	7,259.3
Non-controlling interest		53.9	61.8	-	-
Total equity		8,768.1	8,243.4	7,498.4	7,259.3
Non-current liabilities					
Long-term borrowings	13	41.0	67.0	-	-
Deferred income tax	14	16.9	17.4	-	-
		57.9	84.4	-	-
Total equity and non-current liabilities		8,826.0	8,327.8	7,498.4	7,259.3
Non-current assets					
Property, plant and equipment	15	2,589.4	2,234.6	1,873.6	1,422.4
Intangible assets	16	306.5	326.9	88.0	97.6
Prepaid operating lease rentals	17	80.5	82.8	46.6	47.3
Investment in associate	18	1,034.6	830.0	94.6	94.6
Investment in subsidiaries	19	-	-	1,131.4	1,131.4
Deferred income tax	14	295.6	115.6	238.2	70.4
Long-term deposits	20	262.7	288.0	262.7	288.0
		4,569.3	3,877.9	3,735.1	3,151.7
Current assets					
Inventories	21	944.5	1,094.8	711.6	835.6
Receivables and prepayments	22	2,853.9	2,527.7	2,457.1	2,103.7
Cash and cash equivalents	23	3,451.7	3,805.7	3,087.5	3,500.0
Current income tax		124.9	138.1	46.7	152.5
		7,375.0	7,566.3	6,302.9	6,591.8
Current liabilities					
Payables and accrued expenses	24	3,090.8	3,090.0	2,539.6	2,484.2
Borrowings	13	27.5	26.4	-	-
		3,118.3	3,116.4	2,539.6	2,484.2
Net current assets		4,256.7	4,449.9	3,763.3	4,107.6
Total assets less current liabilities		8,826.0	8,327.8	7,498.4	7,259.3

The notes from page 50 to 83 are an integral part of these financial statements.

The financial statements from pages 44 to 83 have been approved for issue by the board of directors on 20 March 2015 and signed on its behalf by:

W. D. Kiboro



S. Gitagama




Consolidated Statement of Changes in Equity

for the year ended 31 December

	<u>Attributable to equity holders of the Company</u>				<u>Non-controlling interest</u>		<u>Total equity</u>	
	<u>Note</u>	<u>Share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>		
		<u>Shs m</u>	<u>Shs m</u>	<u>Shs m</u>	<u>Shs m</u>	<u>Shs m</u>	<u>Shs m</u>	
Year ended 31 December 2013								
At start of year		392.8	116.8	5,563.1	1,178.4	7,251.1	72.4	7,323.5
Total comprehensive income								
Profit for the year		-	-	2,528.5	-	2,528.5	4.7	2,533.2
Other comprehensive income, net of tax								
Transfer of excess depreciation		-	(9.4)	9.4	-	-	-	-
Deferred tax transfer		-	2.8	(2.8)	-	-	-	-
		-	(6.6)	6.6	-	-	-	-
Currency translation differences		-	44.4	-	-	44.4	5.3	49.7
Share of comprehensive income in associate		-	-	42.8	-	42.8	-	42.8
Total other comprehensive income		-	37.8	49.4	-	87.2	5.3	92.5
Total comprehensive income for the year		-	37.8	2,577.9	-	2,615.7	10.0	2,625.7
Transactions with owners recognized directly in equity								
Purchase of non controlling interest		-	(35.4)	-	-	(35.4)	(20.6)	(56.0)
Bonus shares issue		78.6	-	(78.6)	-	-	-	-
Dividends:								
- final for 2012		-	-	-	(1,178.4)	(1,178.4)	-	(1,178.4)
- interim for 2013 paid	25	-	-	(471.4)	-	(471.4)	-	(471.4)
- Proposed final for 2013	25	-	-	(1,414.1)	1,414.1	-	-	-
Total transactions with owners		78.6	(35.4)	(1,964.1)	235.7	(1,685.2)	(20.6)	(1,705.8)
At end of year		471.4	119.2	6,176.9	1,414.1	8,181.6	61.8	8,243.4

The notes from page 50 to 83 are an integral part of these financial statements.



Consolidated Statement of Changes in Equity

Annual Report and Financial Statements 2014

continued

	Attributable to equity holders of the Company				Total	Non-controlling interest	Total equity	
	Note	Share capital	Other reserves	Retained earnings				Proposed dividends
		Shs m	Shs m	Shs m	Shs m	Shs m	Shs m	
Year ended 31 December 2014								
At start of year		471.4	119.2	6,176.9	1,414.1	8,181.6	61.8	8,243.4
Total comprehensive income								
Profit for the year		-	-	2,464.4	-	2,464.4	(3.9)	2,460.5
Other comprehensive income, net of tax								
Transfer of excess depreciation		-	(9.4)	9.4	-	-	-	-
Deferred tax transfer		-	2.8	(2.8)	-	-	-	-
		-	(6.6)	6.6	-	-	-	-
Currency translation differences		-	(49.3)	-	-	(49.3)	(4.0)	(53.3)
Share of comprehensive income in associate		-	-	3.0	-	3.0		3.0
Total other comprehensive income		-	(55.9)	9.6	-	(46.3)	(4.0)	(50.3)
Total comprehensive income for the year		-	(55.9)	2,474.0	-	2,418.1	(7.9)	2,410.2
Transactions with owners recognized directly in equity								
Purchase of non controlling interest								
Bonus shares issue								
Dividends:								
- final for 2013		-	-	-	(1,414.1)	(1,414.1)	-	(1,414.1)
- interim for 2014 paid	25	-	-	(471.4)	-	(471.4)	-	(471.4)
- Proposed final for 2014	25	-	-	(1,414.1)	1,414.1	-	-	-
Total transactions with owners		-	-	(1,885.5)	-	(1,885.5)	-	(1,885.5)
At end of year		471.4	63.3	6,765.4	1,414.1	8,714.2	53.9	8,768.1

The notes from page 50 to 83 are an integral part of these financial statements.



Company Statement of Changes in Equity

for the year ended 31 December

	Note	Share capital	Other reserves	Retained earnings	Proposed dividends	Total
		Shs m	Shs m	Shs m	Shs m	Shs m
Year ended 31 December 2013						
At start of year		392.8	134.3	4,968.5	1,178.4	6,674.0
Total comprehensive income						
Profit for the year		-	-	2,235.1	-	2,235.1
Other comprehensive income, net of tax						
Transfer of excess depreciation		-	(4.6)	4.6	-	-
Deferred income tax on transfer		-	1.4	(1.4)	-	-
Total other comprehensive income		-	(3.2)	3.2	-	-
Total comprehensive income for the year		-	(3.2)	2,238.3	-	2,235.1
Transactions with owners						
Bonus shares issue to existing shareholders		78.6	-	(78.6)	-	-
Dividends:						
- final for 2012 paid		-	-	-	(1,178.4)	(1,178.4)
- interim for 2013 paid	25	-	-	(471.4)	-	(471.4)
- proposed final for 2013	25	-	-	(1,414.1)	1,414.1	-
Total transactions with owners		78.6	-	(1,964.1)	235.7	(1,649.8)
At end of year		471.4	131.1	5,242.7	1,414.1	7,259.3
Year ended 31 December 2014						
At start of year		471.4	131.1	5,242.7	1,414.1	7,259.3
Total comprehensive income						
Profit for the year		-	-	2,124.6	-	2,124.6
Other comprehensive income, net of tax						
Transfer of excess depreciation		-	(4.6)	4.6	-	-
Deferred income tax on transfer		-	1.4	(1.4)	-	-
Total other comprehensive income		-	(3.2)	3.2	-	-
Total comprehensive income for the year		-	(3.2)	2,127.8	-	2,124.6
Transactions with owners						
Bonus shares issue to existing shareholders		-	-	-	-	-
Dividends:						
- final for 2013 paid	25	-	-	-	(1,414.1)	(1,414.1)
- interim for 2014 paid	25	-	-	(471.4)	-	(471.4)
- proposed final for 2014	25	-	-	(1,414.1)	1,414.1	-
Total transactions with owners		-	-	(1,885.5)	-	(1,885.5)
At end of year		471.4	127.9	5,485.0	1,414.1	7,498.4

The notes from page 50 to 83 are an integral part of these financial statements.



Consolidated Statement of Cash Flows

for the year ended 31 December

Annual Report and Financial Statements 2014

	Note	2014 Shs m	2013 Shs m
Operating activities			
Cash generated from operations	27	3,566.1	3,402.3
Interest received	8 (a)	299.0	280.8
Interest paid	8 (b)	(11.6)	(15.3)
Income tax paid		(1,331.2)	(1,422.9)
Net cash from operating activities		2,522.3	2,244.9
Investing activities			
Purchase of property, plant and equipment	15	(962.1)	(356.7)
Purchase of intangible assets	16	(41.8)	(47.3)
Proceeds from sale of property, plant and equipment		12.7	11.2
Acquisition of non-controlling interest	19	-	(56.0)
Dividends received from associate	18	-	5.5
Net cash used in investing activities		(991.2)	(443.3)
Financing activities			
Repayment of borrowings		(24.9)	(18.4)
Dividends paid		(1,885.5)	(1,649.8)
Long-term deposits		25.3	(55.7)
Net cash used in financing activities		(1,885.1)	(1,723.9)
Net (decrease) / increase in cash and cash equivalents		(354.0)	77.7
Movement in cash and cash equivalents			
At start of year		3,805.7	3,728.0
(Decrease) / Increase		(354.0)	77.7
At end of year	23	3,451.7	3,805.7

The notes from page 50 to 83 are an integral part of these financial statements.



Notes to the financial statements

1. General information

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

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

The Company's shares are listed on the Nairobi, Kampala, Dar es Salaam and Kigali Stock Exchanges.

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified

by the revaluation of buildings. 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.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.



Notes to the financial statements *continued...*

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations that are not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification

and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet

effective that would be expected to have a material impact on the Group.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Notes to the financial statements *continued...*

(b) Consolidation (continued)

(i) Subsidiaries (Continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (note 26). Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the

subsidiary acquired, the difference is recognised in profit or loss.

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

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

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value

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

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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



Notes to the financial statements *continued...*

(b) Consolidation (continued)

(iv) Associates (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed

where necessary to ensure consistency with the policies adopted by the Group.

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

c) Property, plant and equipment

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss 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 profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged

to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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

Buildings	40 years
Plant and equipment	2 – 40 years

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

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

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

Notes to the financial statements continued...

(d) Segment reporting

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

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

(e) Revenue recognition

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

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

and the specifics of each arrangement.

Revenue is recognised as follows:

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

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

(iii) Interest income is recognised using the effective interest method.

iv) Dividends are recognised as income in the period the right to receive payment is established.

(f) Inventories

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

(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 profit or loss

(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 profit or loss 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 profit or loss 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.



Notes to the financial statements *continued...*

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.

(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 impairment and carried at cost less accumulated impairment losses.

Notes to the financial statements *continued...*

(k) Employee benefits

(i) *Post employment benefit obligations*

The Group operates a defined contribution retirement benefit scheme for its employees. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 profit or loss in the year to which they relate. The Company has no further obligation once the contributions have been paid.

In addition the group operates a gratuity scheme where the group makes contributions to a special purpose vehicle that is administered independently. The employees are entitled to specified benefits as per the scheme's rules.

(ii) *Other entitlements*

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) *Profit-sharing and bonus plans*

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group

recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation

(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 profit or loss.

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



Notes to the financial statements *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 off or sold, exchange differences that are recorded in equity are recognised in profit or loss 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) Payables

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

(p) Share capital

Ordinary shares are classified as equity.

(q) 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...*

(r) 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 profit or loss 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.

(s) Provision for liabilities

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

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

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

(t) Comparatives

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

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.

Useful lives of property, plant and equipment

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



Notes to the financial statements *continued...*

Income taxes

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

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

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

- the classification of financial assets and leases; and
- whether assets are impaired.

4. Financial risk management

The Group and the Company's activity expose it to a variety of financial risks, market risk (including foreign exchange risks fair value interest rate risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management

programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects on its financial performance within the options available in East Africa to hedge against such risks.

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

(a) Market risk

(i) Foreign exchange risk

The Group and the Company make significant purchases of raw materials in foreign currency, principally newsprint, inks and plates used in newspaper production, and TV programming used in broadcasting. This exposes the Group and the Company to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

At 31 December 2014 if the shilling had weakened/

strengthened against the US dollar and Euro by 1%, with all other variables held constant, the consolidated post tax profit for the year and equity would have been Kshs 1.8 million for the US dollar whereas the Euro effect would have been Kshs 0.03 million. (2013: Kshs 2.4 million for the US dollar and Kshs 5.6 million for the Euro) higher/ lower mainly as a result of foreign exchange gains/losses on translation of US\$ and Euro-denominated trade receivables, trade payables and bank balances.

(ii) Price risk

The Group and the Company do 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 2014 and at 31 December 2013, 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.

Notes to the financial statements continued...

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as trade and other receivables. Neither the Group nor Company has significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Credit risk is managed on a Group basis. The Group credit controller assesses the credit quality of each

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

All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated. All receivables past due by more than 90 days are considered to be impaired, and are carried at their estimated value.



Notes to the financial statements continued...

	Group		Company	
	2014 Shs m	2013 Shs m	2014 Shs m	2013 Shs m
Past due but not impaired				
- up to 60 days	982.3	889.0	775.5	653.3
- by 61 to 90 days	888.7	878.9	574.2	539.4
Total past due but not impaired	1,871.0	1,767.9	1,349.7	1,192.7
Impaired	2,012.1	1,715.0	1,263.4	1,050.2

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group and the Company's financial liabilities that will be settled on a net basis into the relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

	Less than 1 year Shs m	Between 1 and 2 years Shs m	Between 2 and 5 years Shs m	Total Shs m
Group				
At December 2014				
Liabilities				
- borrowings	27.5	41.0	-	68.5
- payables and accrued expenses	3,090.8	-	-	3,090.8
Total financial liabilities	3,118.3	41.0	-	3,159.3

Notes to the financial statements *continued...*

4. Financial risk management (continued)

Group (continued) Assets	Less than 1 Year Shs m	Between 1 and 2 years Shs m	Between 2 and 5 years Shs m	Over 5 years Shs m	Total Shs m
cash and cash equivalents	3,451.7	-	-	-	3,451.7
- receivables	2,269.7	-	-	-	2,269.7
- long-term deposits	-	-	-	262.7	262.7
Total financial assets	5,721.4	-	-	262.7	5,984.1
At December 2013 Liabilities					
- borrowings	26.4	52.8	14.2	-	93.4
- payables and accrued expenses	3,090.0	-	-	-	3,090.0
Total financial liabilities	3,116.4	52.8	14.2	-	3,183.4
Assets					
- cash and cash equivalents	3,805.7	-	-	-	3,805.7
- receivables	1,947.0	-	-	-	1,947.0
- long-term deposits	-	-	-	288.0	288.0
Total financial assets	5,752.7	-	-	288.0	6,040.7
Company At December 2014					
Liabilities					
- payables and accrued expenses	2,539.6	-	-	-	2,539.6
Total financial liabilities	2,539.6	-	-	-	2,539.6
Assets					
cash and cash equivalents	3,087.5	-	-	-	3,087.5
- amount due from related parties	317.9	-	-	-	317.9
- receivables	1,676.5	-	-	-	1,676.5
- long-term deposits	-	-	-	262.7	262.7
Total financial assets	5,081.9	-	-	262.7	5,344.6
At December 2013 Liabilities					
- payables and accrued expenses	2,484.2	-	-	-	2,484.2
Total financial liabilities	2,484.2	-	-	-	2,484.2
Assets					
- cash and cash equivalents	3,500.0	-	-	-	3,500.0
- amount due from related parties	274.0	-	-	-	274.0
- receivables	1,387.0	-	-	-	1,387.0
- long-term deposits	-	-	-	288.0	288.0
Total financial assets	5,161.0	-	-	288.0	5,449.0

Notes to the financial statements continued...

(d) Capital risk management

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

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

	Group		Company	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
Total borrowings	68.5	93.4	-	-
Less: cash and cash equivalents	(3,451.7)	(3,805.7)	(3,087.5)	(3,500.0)
Net debt	(3,383.2)	(3,712.3)	(3,087.5)	(3,500.0)
Total equity	8,768.1	8,243.4	7,498.4	7,259.3
Total capital	5,384.9	4,531.1	4,410.9	3,759.3

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

(e) Fair value estimation

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

5. Segmental information

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

Notes to the financial statements continued...

5. Segmental information (continued)

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

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

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

	Newspapers & Magazines		Broadcasting		Group	
	2014 Shs m	2013 Shs m	2014 Shs m	2013 Shs m	2014 Shs m	2013 Shs m
Sales	11,087.7	11,340.9	2,263.6	2,032.8	13,351.3	13,373.7
Allocated costs	(7,722.8)	(7,913.2)	(2,070.8)	(1,817.6)	(9,793.6)	(9,730.8)
Segment results	3,364.9	3,427.7	192.8	215.2	3,557.7	3,642.9
Unallocated costs					(422.7)	(389.0)
Operating profit					3,135.0	3,253.9
Net finance income					287.4	265.5
Share of results of associate					201.6	67.7
Profit before income tax					3,624.0	3,587.1

The entity is domiciled in Kenya. The revenue attributed to local sales was Shs 10,211.0 million (2013 :Shs 10,347.5 million) while the revenues attributed to all foreign countries in total from which the entity derives revenues was Shs 3,140.3 million (2013: Shs 3,026.2 million). The Group does not derive revenues in excess of 10% of the total Group's revenue from any individual customer. Other segments included in the statement of financial position are as follows:



Notes to the financial statements continued...

5. Segmental information (continued)

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

	Newspapers & Magazines		Broadcasting		Group	
	2014	2013	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Depreciation	368.7	278.4	206.5	144.9	575.2	423.3
Amortisation	54.1	43.6	7.0	-	61.1	43.6
Provision for impairment of receivables	170.3	365.0	126.8	85.9	297.1	450.9

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. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

	Newspapers & Magazines		Broadcasting		Group	
	2014	2013	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m	Shs m	Shs m
Segment assets	9,140.1	9,009.9	1,769.6	1,604.3	10,909.7	10,614.2
Investment in associates	-	-	-	-	1,034.6	830.0
					11,944.3	11,444.2
Segment liabilities	1,523.4	1,757.8	1,652.8	1,443.0	3,176.2	3,200.8
Capital expenditure	942.3	220.5	61.6	183.5	1,003.9	404.0

6. Expenses by nature

	Group	
	2014	2013
The following items have been charged/(credited) in arriving at operating profit:	Shs m	Shs m
Profit on disposal of property, plant and equipment	(8.4)	(9.3)
Operating lease rentals-office buildings	178.0	169.6
Repairs and maintenance expenditure on property, plant and equipment	19.4	33.6
Auditors' remuneration : Group	22.5	21.4
: Company	11.6	11.1
Employee benefits expense (Note 7)	4,035.6	3,825.4
Depreciation of property, plant & equipment	429.2	423.3
Accelerated depreciation on current printing press	122.0	-
Accelerated depreciation on analogue TV equipment (Kenya & Uganda)	24.0	-
Total depreciation of property, plant & equipment (Note15)	575.2	423.3
Analogue transmission asset written off	27.2	-
Amortisation of intangible assets	33.9	43.6
Total Amortisation of intangible assets (Note 16)	61.1	43.6
Operating lease rentals-leasehold land (Note 17)	1.3	1.3
Increase in provision for spares for current printing press	57.0	-
Trade receivables-provision for impairment (Note 22)	297.1	450.9

7. Employee benefits expense

Salaries and wages	3,950.7	3,749.8
National Social Security Fund	84.9	75.6
	4,035.6	3,825.4
The number of persons employed by the Group at the year end was:	2014	2013
	Number	Number
Full time	1,535	1,583
Part time	394	397
	1,929	1,980

8. (a) Finance income

	Group	
	2014	2013
	Shs m	Shs m
Interest income	299.0	280.8

(b) Finance costs

Interest expense	(11.6)	(15.3)
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9. Income tax expense

Current income tax	1,222.1	1,179.4
Deferred income tax (Note 14)	(177.7)	(130.2)
Underprovision of income tax in prior years	119.1	4.7
	1,163.5	1,053.9



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	
	2014 Shs m	2013 Shs m
Profit before income tax	3,624.0	3,587.1
Tax calculated at the statutory tax rate of 30% (2013:30%)	1,087.2	1,076.1
Tax effect of:		
- income not subject to tax	(80.0)	(48.0)
- Expenses not deductible for tax purposes	28.7	22.6
Under/(over) provision of deferred tax in prior years	8.5	(1.5)
Under provision of income tax in prior years	119.1	4.7
Income tax expense	1,163.5	1,053.9

10. Earnings per share

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

	Group	
	2014	2013
Net profit attributable to shareholders (Shs million)	2,464.4	2,528.5
Weighted average number of ordinary shares in issue (million)	188.5	188.5
Basic earnings per share (Shs)	13.1	13.4

There were no potentially dilutive ordinary shares outstanding as at 31 December 2014 or 2013. Diluted earnings per share is therefore the same as basic earnings per share.

11. Share capital

	Group & Company	
	Number of shares (million)	Ordinary shares Shs m
Authorised (par value of Shs 2.50 per share)	240	600
Issued and fully paid:		
31 December 2013	188.5	471.4
31 December 2014	188.5	471.4

12. Other reserves

	Revaluation reserve on buildings Shs m	Transactions with non controlling Interest Shs m	Currency translation Shs m	Total Shs m
Group				
As at 1 January 2013	201.5	-	(84.7)	116.8
Currency translation differences	-	-	44.4	44.4
Transfer of excess depreciation	(9.4)	-	-	(9.4)
Deferred tax on transfer of depreciation	2.8	-	-	2.8
Purchase of minority shares in MPL	-	(35.4)	-	(35.4)
Balance as at 31 December 2013	194.9	(35.4)	(40.3)	119.2
As at 1 January 2014	194.9	(35.4)	(40.3)	119.2
Currency translation differences	-	-	(49.3)	(49.3)
Transfer of excess depreciation	(9.4)	-	-	(9.4)
Deferred tax on transfer of depreciation	2.8	-	-	2.8
Balance as at 31 December 2014	188.3	(35.4)	(89.6)	63.3
		Revaluation reserve on buildings Shs m	Total Shs m	
Company				
As at 1 January 2013		134.3	134.3	
Transfer of excess depreciation		(4.6)	(4.6)	
Deferred tax on transfer of depreciation		1.4	1.4	
Balance as at 31 December 2013		131.1	131.1	
As at 1 January 2014		131.1	131.1	
Transfer of excess depreciation		(4.6)	(4.6)	
Deferred tax on revaluation gains		1.4	1.4	
Balance as at 31 December 2014		127.9	127.9	



13. Borrowings

	Group	
	2014 Shs m	2013 Shs m
Current		
Bank borrowings	27.5	26.4
	27.5	26.4
Non current		
Bank borrowings	41.0	67.0
Total borrowings	68.5	93.4

In the year 2011 Monitor Publications Ltd obtained a 6 year loan worth Uganda Shillings 5 billion (equivalent to Kenya Shillings 169.4 million) from Citibank Uganda Ltd that financed the purchase of a new printing press. The bank borrowings are secured by a 100% comprehensive corporate guarantee from Nation Media Group Limited.

The weighted average effective interest rates at the statement of financial position date were as follows:

	Group	
	2014	2013
Bank loan	15.42%	15.68%

In the opinion of the directors, the carrying amounts of short-term and long-term borrowings approximate to their fair value. Fair values are based on discounted cashflows using a discount rate based upon the borrowing rate that directors expect should be available to the Group at the statement of financial position date.

Maturity of non-current borrowings

	Group	
	2014 Shs m	2013 Shs m
Between 1 and 2 years	27.5	26.4
Between 2 and 5 years	13.5	40.6
	41.0	67.0

14. Deferred income tax

	Group		Company	
	2014 Shs m	2013 Shs m	2014 Shs m	2013 Shs m
At start of year	(98.2)	34.8	(70.4)	35.0
Credit to the statement of comprehensive income	(187.8)	(127.3)	(170.6)	(109.2)
Under provision in prior years (Note 9)	8.5	(1.5)	4.2	5.2
Currency translation differences	1.6	(1.4)	-	-
	(177.7)	(130.2)	(166.4)	(104)
Revaluation	(2.8)	(2.8)	(1.4)	(1.4)
At end of year	(278.7)	(98.2)	(238.2)	(70.4)
Deferred income tax liabilities	16.9	17.4	-	-
Deferred income tax assets	(295.6)	(115.6)	(238.2)	70.4
At end of year	(278.7)	(98.2)	(238.2)	70.4

14. Deferred income tax (continued)

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

	1.1.14 Shs m	Charged/ (credited) to P&L Shs m	Charged to OCI Shs m	31.12.14 Shs m
Group				
Year ended 31 December 2014				
Deferred income tax liabilities				
Property, plant and equipment	79.7	(87.8)	-	(8.1)
Revaluation	53.7	-	(2.8)	50.9
Unrealized exchange gains	144.3	23.5	-	167.8
	277.7	(64.3)	(2.8)	210.6
Deferred income tax assets				
Provisions	(227.8)	(48.0)	-	(275.8)
Tax losses	-	(21.0)	-	(21.0)
Unrealized exchange losses	(149.2)	(46.0)	-	(195.2)
	(377.0)	(115.0)	-	(492.0)
Currency Translation Differences	1.1	1.6	-	2.7
Net deferred income tax liability	(98.2)	(177.7)	(2.8)	(278.7)
Group				
Year ended 31 December 2013				
Deferred income tax liabilities				
Property, plant and equipment	116.2	(36.5)	-	79.7
Revaluation	56.5	-	(2.8)	53.7
Unrealized exchange gains	16.9	127.4	-	144.3
	189.6	90.9	(2.8)	277.7
Deferred income tax assets				
Provisions	(126.2)	(101.6)	-	(227.8)
Unrealized exchange losses	(31.1)	(118.1)	-	(149.2)
	(157.3)	(219.7)	-	(377.0)
Currency Translation Differences	2.5	(1.4)	-	1.1
Over provision/underprovision in prior year	-	-	-	-
Net deferred income tax liability	34.8	(130.2)	(2.8)	(98.2)

14. Deferred income tax (continued)

Company	1.1.14	Charged/ (credited) to P&L	Charged to OCI	31.12.14
	Shs m	Shs m	Shs m	Shs m
Year ended 31 December 2014				
Deferred income tax liabilities				
Property, plant and equipment	22.8	(85.6)	-	(62.8)
Revaluation	26.0	-	(1.4)	24.6
Unrealized exchange gains	141.7	24.2	-	165.9
	190.5	(61.4)	(1.4)	127.7
Deferred income tax assets				
Provisions	(136.7)	(57.7)	-	(194.4)
Unrealised exchange losses	(124.2)	(47.3)	-	(171.5)
	(260.9)	(105.0)	-	(365.9)
Net deferred income tax liability	(70.4)	(166.4)	(1.4)	(238.2)

Company	1.1.13	Charged/ (credited) to P&L	Charged to OCI	31.12.13
	Shs m	Shs m	Shs m	Shs m
Year ended 31 December 2013				
Deferred income tax liabilities				
Property, plant and equipment	58.8	(36.0)	-	22.8
Revaluation	27.4	-	(1.4)	26.0
Unrealized exchange gains	14.3	127.4	-	141.7
	100.5	91.4	(1.4)	190.5
Deferred income tax assets				
Provisions	(52.0)	(84.7)	-	(136.7)
Unrealised exchange losses	(13.5)	(110.7)	-	(124.2)
	(65.5)	(195.4)	-	(260.9)
Net deferred income tax liability	35.0	(104.0)	(1.4)	(70.4)

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 2013				
Cost or valuation	7.0	572.5	5,667.9	6,247.4
Accumulated depreciation	-	(64.5)	(3,902.1)	(3,966.6)
Net book value	7.0	508.0	1,765.8	2,280.8
Year ended 31 December 2013				
Opening net book value	7.0	508.0	1,765.8	2,280.8
Additions	-	3.5	353.2	356.7
Disposals	-	-	(1.9)	(1.9)
Depreciation charge	-	(21.5)	(401.8)	(423.3)
Currency translation differences	-	5.2	17.1	22.3
Closing net book value	7.0	495.2	1,732.4	2,234.6
Year ended 31 December 2014				
Opening net book value	7.0	495.2	1,732.4	2,234.6
Additions	-	0.1	962.0	962.1
Disposals	-	-	(4.9)	(4.9)
Depreciation charge	-	(20.0)	(555.2)	(575.2)
Currency translation differences	-	(6.5)	(20.7)	(27.2)
Closing net book value	7.0	468.8	2,113.6	2,589.4
As at 31 December 2014				
Cost or valuation	7.0	574.8	6,972.7	7,554.5
Accumulated depreciation	-	(106.0)	(4,859.1)	(4,965.1)
Net book value	7.0	468.8	2,113.6	2,589.4

15. Property, plant and equipment (continued)

	Freehold land Shs m	Buildings Shs m	Plant and equipment Shs m	Total Shs m
Company				
Year ended 31 December 2013				
Opening net book value	7.0	313.5	1,137.9	1,458.4
Additions	-	2.6	256.6	259.2
Disposals	-	-	(1.7)	(1.7)
Depreciation charge	-	(13.5)	(280.0)	(293.5)
Closing net book value	7.0	302.6	1,112.8	1,422.4
As at 31 December 2013				
Cost or valuation	7.0	354.0	4,518.2	4,879.2
Accumulated depreciation	-	(51.4)	(3,405.4)	(3,456.8)
Net book value	7.0	302.6	1,112.8	1,422.4
Year ended 31 December 2014				
Opening net book value	7.0	302.6	1,112.8	1,422.4
Additions	-	-	889.4	889.4
Disposals	-	-	(3.1)	(3.1)
Depreciation charge	-	(13.5)	(421.6)	(435.1)
Closing net book value	7.0	289.1	1,577.5	1,873.6
As at 31 December 2014				
Cost or valuation	7.0	354.0	5,371.4	5,732.4
Accumulated depreciation	-	(64.9)	(3,793.9)	(3,858.8)
Net book value	7.0	289.1	1,577.5	1,873.6

The Group's buildings on leasehold land were revalued as at 31 August 2012 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. The revaluation reserve is not distributable in accordance with the Kenyan Companies Act. If the buildings were stated on historical cost basis, the amounts would be as follows:

15. Property, plant and equipment (continued)

	Group		Company	
	2014 Shs m	2013 Shs m	2014 Shs m	2013 Shs m
Cost	318.2	318.2	168.8	168.8
Accumulated depreciation	(96.3)	(90.9)	(81.4)	(72.6)
Net book value	221.9	227.3	87.4	96.2

16. Intangible assets

	Goodwill Shs m	Computer software Shs m	Transmission frequencies Shs m	Total Shs m
Group				
As at 1 January 2013				
Cost	187.9	384.5	27.2	599.6
Accumulated amortisation	-	(278.1)	-	(278.1)
Net book value	187.9	106.4	27.2	321.5
Year ended 31 December 2013				
Opening net book value	187.9	106.4	27.2	321.5
Additions	-	47.3	-	47.3
Amortisation	-	(43.6)	-	(43.6)
Currency translation differences	-	1.7	-	1.7
Closing net book value	187.9	111.8	27.2	326.9
As at 31 December 2013				
Cost	187.9	433.5	27.2	648.6
Accumulated amortisation	-	(321.7)	-	(321.7)
Net book value	187.9	111.8	27.2	326.9
Year ended 31 December 2014				
Opening net book value	187.9	111.8	27.2	326.9
Additions	-	41.8	-	41.8
Amortisation	-	(33.9)	-	(33.9)
Impairment	-	-	(27.2)	(27.2)
Currency translation differences	-	(1.1)	-	(1.1)
Closing net book value	187.9	118.6	-	306.5
As at 31 December 2014				
Cost	187.9	474.2	27.2	689.3
Accumulated amortisation	-	(355.6)	(27.2)	(382.8)
Net book value	187.9	118.6	-	306.5

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.

Management has assessed whether the goodwill amounting to Shs 128.9 million that arose on acquisition of MCL is impaired.

The recoverable amount has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the media industry in which the CGU operates.

The key assumptions used for value-in-use calculations in 2014 are a Weighted Average Cost of Capital of 25.65% and a Terminal Growth rate of 10%. (2013: Weighted Average Cost of Capital of 25.65% and a Terminal Growth rate of 10%).

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

The analogue transmission frequencies amounting to Shs 27.2 million were impaired following the migration to the digital platform as they were obsolete.

	Operating Segment	2014 Shs m	2013 Shs m
Mwananchi Communications Limited	Newspapers	128.9	128.9
Monitor Publications Limited	Newspapers	23.0	23.0
East Africa Television Network	Broadcasting	15.5	15.5
Radio Uhuru Limited	Broadcasting	20.5	20.5
		187.9	187.9

16. Intangible assets (continued)

	Computer software Shs m	Transmission frequencies Shs m	Total Shs m
Company			
As at 1 January 2013			
Cost	328.3	27.2	355.5
Accumulated amortisation	(266.4)	-	(266.4)
Net book value	61.9	27.2	89.1
Year ended 31 December 2013			
Opening net book value	61.9	27.2	89.1
Additions	43.1	-	43.1
Amortisation	(34.6)	-	(34.6)
Closing net book value	70.4	27.2	97.6
As at 31 December 2013			
Cost	371.4	27.2	398.6
Accumulated amortisation	(301.0)	-	(301.0)
Net book value	70.4	27.2	97.6
Year ended 31 December 2014			
Opening net book value	70.4	27.2	97.6
Additions	40.6	-	40.6
Amortisation	(23.0)	-	(23.0)
Impairment	-	(27.2)	(27.2)
Closing net book value	88.0	-	88.0
As at 31 December 2014			
Cost	412.0	27.2	439.2
Accumulated amortisation	(324.0)	(27.2)	(351.2)
Net book value	88.0	-	88.0



17. Prepaid operating lease rentals

	Group		Company	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
At start of year	82.8	84.4	47.3	48.0
Amortisation for the year	(1.3)	(1.3)	(0.7)	(0.7)
Currency translation differences	(1.0)	(0.3)	-	-
At end of year	80.5	82.8	46.6	47.3

18. Investment in associate

	Group	
	2014	2013
	Shs m	Shs m
At start of year	830.0	725.0
Share of profit before income tax	144.5	97.0
Share of income tax expense	57.1	(29.3)
	201.6	67.7
Dividends received	-	(5.5)
Share of other comprehensive income	3.0	42.8
At end of year	1,034.6	830.0

Investment in associate 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.

Key financial information on the associate, which is unlisted, was as follows:

	Country of incorporation	% interest held	Assets Shs'm	Liabilities Shs'm	Revenues Shs'm	Profit/loss Shs'm	Other comprehensive income
							Shs m
Year 2014							
Property Development and Management Limited	Kenya	20%	6,355.7	809.0	501.2	1,008.2	3.0
Year 2013							
Property Development and Management Limited	Kenya	20%	5,503.5	949.9	482.3	338.5	42.8

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

The introduction of the capital gain tax (CGT) at 5% was lower than the corporate tax in use. This change had the effect of releasing the deferred tax liability to the profit and loss account.

19. Investment in subsidiaries

	Company	
	2014	2013
	Shs m	Shs m
At start of year	1,131.4	1,075.4
Acquisition of non-controlling interest		
Monitor Publications Ltd	-	56.0
At end of year	1,131.4	1,131.4

In 2013, the group purchased 6.7% of minority shareholders in Monitor Publications Ltd at a cost of Shs 56.0 million. The excess consideration of Shs 35.4 million was accounted for directly in equity

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

Company	Country of incorporation	Holding %	2014	2013
			Shs m	Shs m
Trading subsidiaries:				
Nation Marketing & Publishing Limited	Kenya	100.0	0.5	0.5
Monitor Publications Limited	Uganda	83.3	75.1	75.1
Mwananchi Communications Limited	Tanzania	100.0	569.3	569.3
Nation Holdings Tanzania Limited	Tanzania	100.0	150.4	150.4
Africa Broadcasting Uganda Limited	Uganda	100.0	347.7	347.7
Nation Holdings Rwanda Ltd	Rwanda	100.0	8.2	8.2
			1,151.2	1,151.2
Non trading subsidiaries:				
Nation Carriers Limited	Kenya	100.0	3.0	3.0
Nation Infotech Limited	Kenya	100.0	1.5	1.5
Africa Broadcasting Limited	Kenya	100.0	-	-
Nation Newspapers Limited	Kenya	100.0	-	-
Nation Carriers Uganda Limited	Uganda	100.0	-	-
Nation Carriers Tanzania Limited	Tanzania	100.0	-	-
Africa Broadcasting Tanzania Limited	Tanzania	100.0	-	-
Africa Broadcasting Mauritius Limited	Mauritius	100.0	-	-
Nation Printers and Publishers Limited	Kenya	100.0	-	-
Radio Uhuru Limited	Tanzania	100.0	20.5	20.5
			1,176.2	1,176.2
Provision for impairment			(44.8)	(44.8)
			1,131.4	1,131.4

20. Long-term deposit

	Group & Company	
	2014	2013
	Shs m	Shs m
Long-term deposits	262.7	288.0

This represents long-term deposits held as back up funds for staff mortgage scheme with Housing Finance.

21. Inventories

	Group		Company	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
Raw materials	701.4	796.6	519.3	562.3
Engineering spares	217.7	223.5	200.0	209.9
Other stock	143.7	130.6	103.7	112.4
Gross inventory	1,062.8	1,150.7	823.0	884.6
Less provision for obsolete stock	(118.3)	(55.9)	(111.4)	(49.0)
	944.5	1,094.8	711.6	835.6

The cost of inventories recognised as an expense and included in the consolidated 'cost of sales' amounted to Shs 1,924.6 million (2013: Shs 2,165.4 million).

22. Receivables and prepayments

	Group		Company	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
Trade receivables	3,883.1	3,482.9	2,613.1	2,242.9
Less: provision for impairment	(2,012.1)	(1,715.0)	(1,263.4)	(1,050.2)
	1,871.0	1,767.9	1,349.7	1,192.7
Due from related parties (Note 29)	5.0	15.2	317.9	238.1
Other receivables and prepayments	977.9	744.6	789.5	672.9
	2,853.9	2,527.7	2,457.1	2,103.7

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

	Group		Company	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
At start of year	1,715.0	1,264.1	1,050.2	758.0
Provision in the year	297.1	450.9	213.2	292.2
At end of year	2,012.1	1,715.0	1,263.4	1,050.2

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

23. 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	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
Cash and bank balances	428.5	715.5	279.9	409.8
Short term deposits	3,023.2	3,090.2	2,807.6	3,090.2
	3,451.7	3,805.7	3,087.5	3,500.0

The short term deposits include term deposits and short term note investments with related parties. Refer to note 29 (vii) for further details.

The weighted average effective interest rate on the bank deposits during the year was 9.5% (2013 : 8.0%)

24. Payables and accrued expenses

	Group		Company	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
Trade payables	980.2	1,246.2	566.8	875.2
Due to related parties (Note 29)	14.6	27.9	173.2	113.0
Accrued expenses	1,171.2	1,463.5	1,070.5	1,272.7
Other payables	924.8	352.4	729.1	223.3
	3,090.8	3,090.0	2,539.6	2,484.2

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

25. Dividends

During the year, an interim dividend of Shs 2.50 per share, amounting to Shs 471.4 million was paid (2013: Shs 471.4 million). At the annual general meeting to be held on 5th June 2015, a final dividend in respect of the year ended 31 December 2014 of Shs 7.50 per share amounting to Shs 1,414.1 million (2013: Shs 1,414.1 million) will be proposed. The total dividend for the year is therefore Shs 10.0 per share (2013: Shs 10.0), amounting to Shs 1,885.5 million (2013: Shs 1,885.5 million).

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

26. Commitments**Capital expenditure**

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

	Group	
	2014	2013
	Shs m	Shs m
Contracted for but not provided for	1,023.8	2.3

Operating leases

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

	2014	2013
	Shs m	Shs m
Not later than 1 year	136.5	131.9
Later than 1 year and not later than 5 years	534.3	530.3
	670.8	662.2

27. Cash generated from operations	2014	2013
	Shs m	Shs m
Reconciliation of profit before tax to cash generated from operations		
Profit before income tax	3,624.0	3,587.1
Adjustment for:		
Depreciation of property, plant and equipment (Note 15)	575.2	423.3
Amortisation of intangible assets (Note 16)	61.1	43.6
Amortisation of prepaid operating lease rentals (Note 17)	1.3	1.3
Profit on sale of property, plant and equipment	(8.4)	(9.3)
Interest income (Note 8a)	(299.0)	(280.8)
Interest expense (Note 8b)	11.6	15.3
Share of result before tax of associate (Note 18)	(201.6)	(67.7)
Changes in working capital:		
- inventories	150.3	(79.6)
- receivables and prepayments	(326.2)	(255.0)
- payables and accrued expenses	0.8	(2.0)
Translation of net investment in foreign subsidiaries	(23.0)	26.1
Cash generated from operations	3,566.1	3,402.3

28. Contingent liabilities

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

29. Related parties

Aga Khan Fund for Economic Development, S.A (AKFED) incorporated in Switzerland is the principal shareholder of the Company. There are various other companies which are related to the Group through common shareholdings and directorships. Transactions with related parties are carried out at normal commercial terms and conditions. The following transactions were carried out with related parties.

i) Sale of goods and services

	Group		Company	
	2014	2013	2014	2013
	Shs m	Shs m	Shs m	Shs m
Subsidiaries:				
Monitor Publications Limited	-	-	20.8	24.8
Mwananchi Communications Limited	-	-	26.6	26.9
Other related parties:				
TPS Eastern Africa Limited	6.8	10.2	1.4	1.9
Jubilee Holdings Limited	12.8	7.0	8.4	5.5
	19.6	17.2	57.2	59.1

ii) Purchase of goods and services

Subsidiaries:				
Monitor Publications Limited	-	-	15.5	14.6
Mwananchi Communications Limited	-	-	51.0	51.4
Other related parties:				
TPS Eastern Africa Limited	26.6	23.8	5.0	4.7
Jubilee Holdings Limited	211.0	242.1	179.5	205.8
	237.6	265.9	251.0	276.5

29. Related parties (continued)**iii) Outstanding balances from transactions with related parties**

	Group		Company	
	2014 Shs m	2013 Shs m	2014 Shs m	2013 Shs m
Amounts due from related parties				
Subsidiaries:				
Mwananchi Communications Limited	-	-	160.4	137.3
Monitor Publications Limited	-	-	4.5	7.6
Nation Infotech Limited	-	-	0.9	0.9
Radio Uhuru Limited	-	-	4.9	4.9
Africa Broadcasting Uganda Limited	-	-	-	-
Nation Holdings Rwanda Limited	-	-	145.5	86.6
Other related parties:				
TPS Eastern Africa Limited	4.6	12.2	1.3	0.3
Jubilee Holdings Limited	0.4	3.0	0.4	0.5
	5.0	15.2	317.9	238.1
Amounts due to related parties				
Subsidiaries:				
Africa Broadcasting Uganda Limited	-	-	58.0	21.2
Monitor Publications Limited	-	-	-	-
Nation Marketing and Publishing Limited	-	-	104.6	83.2
Nation Holdings Tanzania Limited	-	-	7.3	7.4
Other related parties:				
Jubilee Insurance	9.4	19.5	2.6	1.0
TPS Eastern Africa Limited	5.2	8.4	0.7	0.2
	14.6	27.9	173.2	113.0

iv) Loans to executive directors

	Group		Company	
	2014 Shs m	2013 Shs m	2014 Shs m	2013 Shs m
At start of year	13.3	10.3	13.3	10.3
Loans advanced during the year	1.2	6.9	1.2	6.9
Loans repaid during the year	(5.4)	(3.9)	(5.4)	(3.9)
At end of year	9.1	13.3	9.1	13.3

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



29. Related parties (continued)

v) Key management compensation

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

	Company	
	2014 Shs m	2013 Shs m
Salaries and other short term employment benefits	74.1	83.2

vi) Directors' remuneration

	2014	2013
	Shs m	Shs m
Fees for services as director	27.0	29.2
Salaries and other short term employment benefits	74.1	83.2
	101.1	112.4

vii) Other related party transactions

Included as part of cash and cash equivalents in the Company as at 31 December 2014 are the following balances with related parties:

	Company	
	2014 Shs m	2013 Shs m
Term deposit with Diamond Trust Bank Kenya Limited	549.3	1,016.3
Short term note investment with Industrial Promotion Services (K) Limited	400.0	400.0
	949.3	1,416.3

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

The short term note investment with Industrial Promotion Services (K) Limited is for a duration of 3 months each, attracting interest rate of 11.1% per annum for 2014 and 11.7% per annum for 2013.

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	2014 Shs m	2013 Shs m	2012 Shs m	2011 Shs m	2010 Shs m
Results					
Revenue	13,351.3	13,373.7	12,346.8	11,245.8	9,602.5
Profit before income tax	3,624.0	3,587.1	3,504.6	2,810.3	2,146.6
Profit attributable to shareholders	2,418.1	2,615.7	2,612.7	1,949.3	1,519.8
Net assets					
Non-current assets	4,569.4	3,877.9	3,429.2	2,961.2	2,898.4
Net current assets	4,256.6	4,449.9	4,031.5	3,324.2	2,523.7
Non-current liabilities	(57.9)	(84.4)	(137.2)	(163.0)	-
Non-controlling interest	(53.9)	(61.8)	(72.4)	(69.9)	(61.9)
Shareholders' funds	8,714.2	8,181.6	7,251.1	6,052.5	5,360.2
Profit before tax as a percentage of turnover (%)	27.14	26.82	28.38	24.99	22.35
Earnings per share (Shs)	13.07	13.41	13.28	12.71	9.77
Dividends per share (Shs)					
- Normal	10.00	10.00	10.00	8.00	5.50
- Special	-	-	-	-	2.50
Total dividend per share (Shs)	10.00	10.00	10.00	8.00	8.00
Dividends cover (times)	1.31	1.34	1.33	1.59	1.22

Principal Shareholders and Distribution of Shareholding at 31 December 2014

Principal Shareholders and their respective Shareholding at 31 December 2014

No.	Name of shareholder	No. of shares held	%
1	The Aga Khan Fund for Economic Development (AKFED)	84,198,343	44.66
2	Alpine Investments Limited	19,136,566	10.15
3	Board of Trustees National Social Security Fund	6,479,843	3.44
4	John Kibunga Kimani	2,906,233	1.54
5	The Jubilee Insurance Company of Kenya Limited	2,009,707	1.07
6	Standard Chartered Nominees A/c KE17984	1,711,014	0.91
7	CFC Stanbic Nominees Ltd	1,520,465	0.81
8	Kenya Reinsurance Corporation Ltd	958,320	0.51
9	Standard Chartered Nominees A/c 9230	792,250	0.42
10	Standard Chartered Nominees A/c 1256B	750,948	0.40

Distribution of Shareholding at 31 December 2014

No. of shares	No. of shareholders	No. of shares held	% of shareholding
1 – 500	4,135	782,157	0.41
501 – 5,000	4,374	9,077,650	4.81
5,001 – 10,000	863	6,440,743	3.42
10,001 – 100,000	943	24,481,914	12.98
100,001 – 1,000,000	114	29,797,651	15.80
Over 1,000,000	7	117,962,171	62.57
Total	10,436	188,542,286	100.00

Directors Shareholding

Name	No. of shares held	% of Shareholding
Yasmin Jetha	8,398	0.0045
Stephen Gitagama	1,296	0.0007
Gerard Wilkinson	960	0.0005
Linus Gitahi	52	0.0000

Update on Printing Press Project



Dennis Aluanga, Director NMG, and Linus Gitahi, GCEO, in Germany with the Print Press Manufacturers.



Chairman Wilfred Kiboro in the Caterpillar and GCEO, Linus Gitahi looking on during the Ground Breaking Ceremony of the New Printing Hall at the Mombasa Road plant.



New Printing Press Hall under construction.



New Printing Press Hall under construction.



New Printing Press Hall under construction.



Printing Press ready for shipping.



Proxy Form

I/We _____

_____ being a member of

Nation Media Group Limited, hereby appoint _____

Of _____

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 the 5th June 2015 and at any adjournment thereof.

As witness my hand this _____

Signature _____

IMPORTANT NOTES

1. If you are unable to attend this meeting personally, this form of proxy should be completed and returned to the Secretary, Nation Media Group Limited, P.O. Box 49010 – 00100 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 _____

_____ Tu/nikiwa mwanachama wa Nation Media Group

Limited, ninamteua _____

wa _____ na asipokuja

_____ , Mwenyekiti wa mkutano kama muwakilishi wangu/

wetu kupiga kura kwa niaba yangu/yetu kwenye Mkutano huu Mkuu wa Kila Mwaka wa Kampuni utakaofanyika mnamo tarehe 5 Juni 2015 na baada ya kukamilisha mkutano, wanachama na waalikwa kuondoka.

Na kama nilivyoshuhudia _____

Sahihi _____

MAELEZO MUHIMU

1. Kama hutoweza kuhudhuria mkutano huu wewe binafsi, fomu hii ya uwakilishi inafaa kujazwa na kutumwa kwa Katibu, Nation Media Group Limited, P.O. Box 49010 – 00100 Nairobi, ili imfikie kwa kipindi kisicho zidi saa 48 kabla ya muda wa kufanyika kwa mkutano huo.
2. Mtu yeyote aliyeteuliwa kuwa muwakilishi sio lazima awe mwanachama wa kampuni hiyo.
3. Kama mteuzi wa uwakilishi huo ni Shirika, basi fomu hii ya uwakilishi lazima ipigwe mhuri ama ishughulikiwe na afisa au wakili aliyeidhinishwa kwa maandishi.





100%

Environment

Our business puts a strain on the environment in which we live. NMG has and will continue to organize and fund various initiatives in support of sustaining the environment. So as our business grows, the forests grows with it and the environment flourishes.

