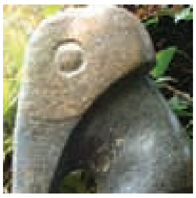
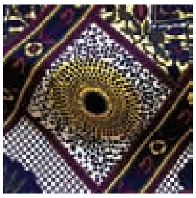
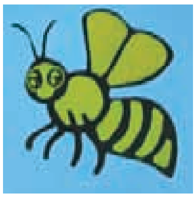
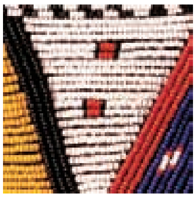




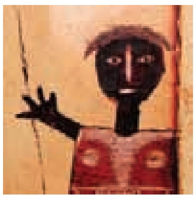








ANNUAL REPORT & ACCOUNTS 2007







Scangroup

Our Vision

To be the

Leading Marketing Services

Company in Africa by

2010.

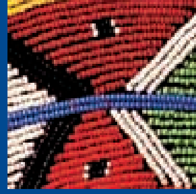
Our Mission

To add

Outstanding Value to our

clients and shareholders

and have fun doing it.



NOTICE OF THE ANNUAL GENERAL MEETING 2008

NOTICE is hereby given that the 2008 Annual General Meeting of the Company will be held at The Plenary Hall, Kenyatta International Conference Centre, Harambee Avenue, Nairobi on Monday, 19th May 2008 at 11.00 a.m. to transact the following business:

1. To read the Notice convening the meeting.

2. To receive, consider and adopt the Balance Sheet and Accounts for the year ended 31st December 2007, together with the Reports thereon of the Directors and Auditors.

3. To approve the Remuneration of the Directors, as provided in the accounts, for the year ended 31st December 2007.

4. To approve the payment of a first and final dividend of Kshs. 0.90 cents per share in respect of the year ended 31st December 2007.

5. To re-elect Director:
   Mr. Richard Omwela retires by rotation under the provisions of Article 92 of the Articles of Association and, being eligible, offers himself for re- election.

6. To note that Deloitte & Touche continue in office as auditors of the Company in accordance with the provisions of Sec.159 (2) of the Companies Act and to authorise the Directors to fix their remuneration for the ensuing financial year.

By Order of the Board,

R.R. Vora
Secretary
Date: 15th April 2008

Note:

1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not also be a member.

2) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or, if the appointer is a Corporation, either under seal, or under the hand of an officer or attorney duly authorized. The proxy form is inserted herewith.

3) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office 5th Floor, Chancery Building, Valley Road, P.O. Box 34537 – 00100, Nairobi not less than forty eight hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote.



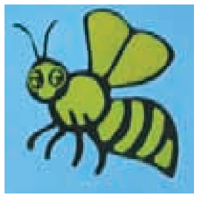


BOARD OF DIRECTORS

DAVID HUTCHISON, Non-Executive Chairman – David, a British national aged 63, is a Certified Public Accountant and a former Senior Partner of Ernst & Young Eastern Africa. He has many years experience in related aspects of audit, tax advice and financial management, reconstruction and consulting covering many sectors, in a diversity of African countries. David is a non-executive Director of the Insurance Company of East Africa Limited, East Africa Reinsurance Company Limited, East African Packaging Industries Limited, Prime Bank Limited, Kentainers Limited, Synresins Limited, and a Director of a number of companies within the Banda educational and property groups.

BHARAT THAKRAR, Chief Executive Officer – Bharat, a Kenyan national aged 55, holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation – UK. He is the founder shareholder of Scangroup and has over thirty four (34) years working experience in Advertising and Communications having previously worked with McCann Erickson in Kenya. Bharat is a Director of all the Scangroup Subsidiaries, IS Kenya Limited and of Valley Terrace Limited. He is also a former Chairman of the Advertising Practitioners Association (APA) and is a member of the Advertising Standards Board.

ANDREW WHITE, Group Creative Director – Andrew, an Australian national aged 52, holds a Bachelor of Arts Degree (Communications) from the University of Technology, Sydney, Australia. Andrew has considerable local and international experience in advertising having previously worked in Sydney, Hong Kong, Singapore and Kenya offices of Ogilvy & Mather as Creative and Executive Creative Director, prior to joining Scanad in 1990 as the Group Executive Creative Director. He is also a Director of all the Scangroup Subsidiaries except the newly acquired Redsky Limited.



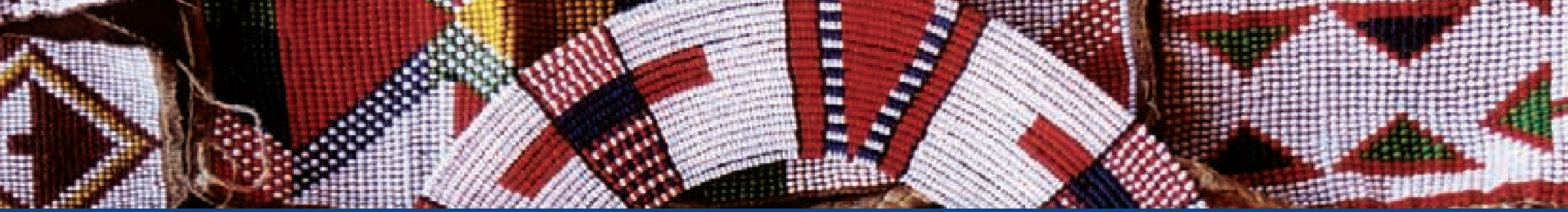
From left to right:

Richard Omwela (Non-Executive Director), **Andrew White** (Group Creative Director),
Bharat Thakrar (CEO), **Ramesh Vora** (Company Secretary), **David Hutchison** (Non-Executive Chairman)
and **Muchiri Wahome** (Non-Executive Director)

RICHARD OMWELA, Non-Executive Director - Richard, a Kenyan national aged 52, holds a Bachelor of Honours Degree in Law (LLB) from the University of Nairobi, and is an advocate of the High Court of Kenya. Richard is a partner in the firm of Hamilton Harrison and Mathews Advocates and is in charge of the Commercial Conveyancing Department. He is a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya, a Non-Executive Director of Genesis Investment Management Limited, African Banking Corporation Limited, Waandishi Limited, Woolworths & Co. (EA) Limited and is the Chairman of Kenya Rugby Football Union.

MUCHIRI WAHOME, Non-Executive Director - Muchiri, a Kenyan national aged 45, is a holder of a Bachelor of Arts (Economics) degree from the University of Nairobi and obtained an Advanced Certificate in management from the Strathmore Business School in 2006. With 19 years of retail experience, Muchiri is currently the Managing Director of Deacons (K) Ltd., the franchise holders of Woolworth's SA, Mr. Price SA, Truworths SA, iDENTITY SA and 4U2 Stores in Kenya. He is also the Chairman of the Board of Governors of Moi Equator Girls Secondary School, Distributive and Allied Workers Association under the umbrella of the Federation of Kenya Employers (FKE) and a member of the Archdiocese of Nairobi Education Advisory Board. In 2005 he was awarded the Head of State commendation medal for implementing performance contracts with public bodies on behalf of the Government of Kenya.

RAMESH VORA, Company Secretary – Ramesh, a Kenyan national aged 58, is a member of the Institute of Chartered Secretaries and Administrators (UK) and a Fellow of the Institute of Public Secretaries (Kenya). He has been in professional practice as a Company Secretary for over 30 years.



CHARIMAN'S STATEMENT

David Hutchison
Chairman

I am pleased to present to you the 2008 Annual Report. Scangroup Limited has experienced growth in revenues and profits, once again validating our growth strategy and projections. Our performance was also in line with the overall economic performance of Kenya Uganda and Tanzania where we are the main player in the marketing services sector.

COMPANY'S FINANCIAL PERFORMANCE

Scangroup's billings grew by 58% to over Kenya Shillings 4.7 billion in 2007 as compared with 2006 while profit before tax grew by 27% to Kenya Shillings 352 million. Net revenues crossed the billion shilling mark for the first time in our history, settling at Kenya Shillings 1.1 billion up from Kenya Shillings 830 million in 2006.

This performance was not only due to great efforts by the various teams, ably led by the CEO Bharat Thakrar, but also the enabling economic and political environment in 2007. As we are all aware, 2008 has not started so well and whilst we do not expect a drastic effect, our growth may be somewhat inhibited in 2008.

Our growth strategy is beginning to come together as indicated by the contributions from our Tanzania and Uganda operations. In 2007, we finalized the acquisition of the controlling interest in Redsky Limited in Kenya which handles the advertising business of Safaricom Limited. During the same year, we took over the business of Redsky Uganda. Both acquisitions gave us a key stake in the telecommunications business in Kenya and Uganda, consolidating our presence in this lucrative sector, which is the fastest growing in Africa. I am also happy to inform you that the operations of FCB Tanzania, which we acquired in 2006, have been successfully incorporated into the group, and have contributed substantially to the results in 2007.

As I indicated in my report last year, our pan-African media buying operations continue to grow. In this regard, we have expanded our media buying operations and invested significant human and operational resources which we believe will continue to give us an edge in the coming months.

Our first attempted entry into the West African market via Nigeria was unsuccessful. In the meantime, we are continuing our regional growth strategy and intend to enter West Africa via Ghana. There are also initiatives in Angola, Mozambique and Zambia.

CORPORATE GOVERNANCE

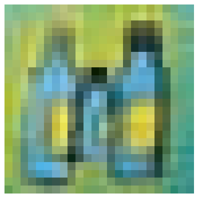
We have continued to comply with listed company rules of both the Capital Markets Authority (CMA) and the Nairobi Stock Exchange (NSE) in the area of corporate governance. The audit and remuneration committees meet regularly during the year.

FUTURE OUTLOOK

The events that followed the disputed presidential elections in 2007 demonstrated the importance of Scangroup's expansion plans into the rest of Africa. This will enable us not only to spread our operational footprint in the continent, thereby mitigating risk, but also to attain our ambitions of being the best and largest marketing services company in Africa whilst maintaining our strong position in Kenya and East Africa as a whole. These plans are already well advanced.

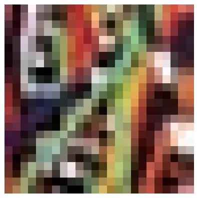
Another key cog in our growth strategy was through expansion of our service capability to our new and existing clients. To this end, we have entered into a joint venture arrangement with Millward Brown, which is the leading marketing and brand research company in the world. This will enable us to offer both qualitative and quantitative research to our clients.

We have also increased the resources in our event management unit to enable us to offer our clients expertise in managing major events such as musical concerts and shows that are increasingly becoming a marketing avenue of choice for many of the brands represented by Scangroup.



EMPLOYEE SHARE OWNERSHIP PROGRAMME (ESOP)

Following the approval of the Employee Share Ownership plan (ESOP) during our last Annual General Meeting, I am pleased to inform you that all the necessary regulatory approvals were received in early 2008, and the ESOP has been set up under a Trust Deed.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Scangroup will continue to be a responsible corporate citizen of Kenya through its corporate social investment in the country. As I mentioned last year, we have entrenched our CSR initiatives in our day to day activities and this is demonstrated by the increased number of initiatives that we have been able to assist.

On HIV/Aids, we have continued to assist Hope House Babies Home which provides a safe haven for abandoned babies as well as HIV positive children. Scangroup has been helping the home meet its monthly rental expenses. During last year's Christmas festivities, Scangroup staff and management raised a total of Kenya Shillings 120,000 which went towards purchasing a much needed washing machine and three month's supply of food items for the home. This move has not only underlined Scangroup's commitment to the Hope House Babies Home but also ensured that our staff got involved in the company's CSR activities.

Our Executive Creative Director Andrew White continues to offers his services as a trustee of Childlife Trust which raises money and foodstuff in aid of various charities that cater for street children.

In support for the Arts, Scangroup through Lowe Scanad is rendering much needed support to the GoDown Arts Centre which brings together the visual and the performing arts in custom made studios for the first time ever in Nairobi. It has in residence, leading visual artists plus a theatre, a puppet workshop and rehearsal space for dancers.

DIVIDENDS

I am pleased to announce that the board has recommended a dividend of Kenya Shillings 0.90 per share. The proposed dividend is payable to all shareholders on the Register of Members on 20th May 2008.

Finally I would like to extend my sincere thanks to my colleagues on the board for their sterling performance and steadfast support and to the entire staff of Scangroup for a job well done.

David G. M. Hutchison
CHAIRMAN
15th April 2008

CHIEF EXECUTIVE'S STATEMENT

Bharat Thakrar
CEO

Dear Shareholders,

This is the first full year for Scangroup trading as a listed company at the Nairobi Stock Exchange. We have reflected on the past and have clearly defined our future with a vision to be the 'Leading marketing services company in Africa by 2010'.

All our efforts going forward will be to deliver on this vision.

INDUSTRY PERFORMANCE

Advertising Exposure (Adex)* in East Africa, as measured by the Steadman Group, grew by 30% over 2006.

In Kenya it grew by 28% whilst Uganda and Tanzania recorded growth of 36 % and 32% respectively. The Exposure by country is as follows:

Kenya - 64%
Uganda - 24%
Tanzania - 12%.

Advertising and Media agencies booked 53% of this Exposure, whilst the balance was booked directly by the clients indicating that there are still many advertisers that do not use an advertising or media agencies to plan or book their media.

Radio is still the preferred medium of choice taking a 54% market share followed by Television at 26% and Print at 20%.

Scangroup, through its subsidiary companies, still maintains the lead in East Africa with an Adex market share of 52% of the Advertising and Media Agencies.

Of the top 10 Adex spenders in East Africa, 6 of them are our clients.

* Note for Adex date. Advertising Exposure is as measured by the Steadman Group.

All advertising spots that appear in the monitored media are recorded in a data base and calculated at the gross rate card cost. The amounts generated are devoid of any discounts offered to clients and ad agencies and are therefore referred to as the value of advertising exposure, rather than advertising expenditure. The advertising exposure relates to display advertising in print media, and in electronic media. It includes advertising spots, sponsor boards, DJ mentions and captions, but does not include outdoor media. It also does not include any agency fees, production costs etc and is only an indication of the size of the industry.

OUR PERFORMANCE

The growth in the East African economy helped our industry grow and I am very pleased to announce that Billings were up by 58% to over Kenya Shillings 4.7 Billion whilst Net Revenues were up by 39% crossing the billion shilling mark to Kenya Shillings 1.1 billion (2006 Kenya Shillings 830 million).

Kenya is still our dominant market and contributed to over 77% of the net revenue, whilst Tanzania and Uganda contributed 15% and 8% respectively.

Profit before tax grew by 27% to Kenya Shillings 352 million (2006 Kenya Shillings 278 million). Earning per share also grew by 23% to Kenya Shillings 1.49 per share (2006 Kenya Shillings 1.21).

Advertising and Media was 87% of our business giving us a growth of 38% and contributing to 73% of our bottom line. Speciality Communications which is the Activation and Experiential Marketing side of our business was 9% of our net revenue. However it gave us the highest growth of over 72% and contributed to 18% of our bottom line. Public Relations was 4% of our net revenue contributing to 9% of our bottom line with a growth of 17%.

At the beginning of 2007 we had set for ourselves 5 key priorities and strategies that would deliver growth and profit for our business. I would like to report on the progress made and how we delivered on these strategies.

1. Consolidate and strengthen our position in East Africa

One of our key priorities for 2006 was to acquire and/or pitch for a cellular client in all the markets that we operate in. The cellular category is the biggest and fastest growing category in our industry. During 2006 we acquired FCB Tanzania, the agency that handles the advertising for Vodacom, the largest cellular operator in Tanzania.

In 2007 we continued our pursuit for a cellular client in Kenya and Uganda and acquired Redsky Kenya Limited, which handles the advertising for Safaricom, which is not only the largest cellular operator in Kenya but also the largest advertiser according to the Steadman Group Adex data.

In Uganda we also took over the business of Redsky Uganda which handled the advertising for Uganda Telecom, the 3rd largest cellular operator in the country. Having done these acquisitions we now have a strong foothold in the high growth cellular category in East Africa which has significantly strengthened our market position. It has also opened the doors for us to offer other marketing services to these clients.

2. Set up or acquire operation in other African Markets

For our venture outside East Africa we chose Nigeria. The plan was to establish a Greenfield operation with a local partner. Unfortunately after several months of negotiations and efforts at setting up the business we realised that we had to re-strategise our entry into Nigeria. We are currently withdrawing from our arrangements there and will re-look at entering the market in the near future.

3. Strengthen the media delivery system across East, Central and Southern Africa.

We made a very serious effort at building a media knowledge base of several markets in Africa where our clients advertise. This has resulted in Scangroup offering media planning and buying ability in Angola, Benin, Burkina Faso, Burundi, Cameroon, Comoros, Congo Brazzaville, DRC, Egypt, Equatorial Guinea, Ethiopia, Gabon, Ghana, Ivory Coast, Madagascar, Mali, Mauritius, Mayotte, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Togo, and Zimbabwe. We have also set up media buying offices in Zambia, Malawi and Mozambique.

4. Focus on growth in Speciality Communications.

During 2007 we focused our efforts at growing this area of our business and set up a very successful event management unit in Tanzania, and one of the events we managed was the 'Miss Tanzania' beauty pageant on behalf of our client, Vodacom. We also successfully managed field marketing activities for our cell phone clients in all the three East African countries.

5. Look at new opportunities - Research, Corporate Design and In-store advertising

We planned to get into the Research business and during 2007 we concluded a joint venture agreement with the WPP group to set up Millward Brown East Africa Limited, which commenced operation in January 2008. Millward Brown is the global leader in advertising, media, marketing communications and brand equity research.

I am pleased to inform shareholders that we successfully achieved most of the objectives and priorities we had set for ourselves during 2007.

OUR PEOPLE

Our resources are our key assets and in 2007 we took upon ourselves to ensure that we continue to develop and produce talent. To achieve this objective we have set up a 'Creative mentorship' programme. Under this programme, the existing Creative Directors (CDs) of all Scangroup agencies have been tasked to identify future potential CDs from within the creative pool in their respective markets and to enroll them in an extensive and intensive programme designed to develop that potential within as short a time as possible.

Based on the 'guru' system engrained in many Eastern cultures, this Mentorship Programme will see the chosen individuals taken under the wings of their CDs and groomed for success in every department, from the personal to the professional.

Scangroup believes strongly in the value, and indeed the necessity, of promoting younger, indigenous creatives with the requisite talent and experience to senior positions throughout the organization. Our business is based, after all, on successful communication and a deeply intuitive and first-hand knowledge of the local languages, cultures and customs in any given market.

That is why each and every candidate in the Mentorship Programme is currently receiving an hour's 'one-on-one' training per week from his or her mentor; while they are all being given extra responsibilities in the day-to-day conceptualization, presentation and production of creative work and their progress in these crucial areas is closely monitored. They are also given direct responsibility for certain accounts, including pitching for new accounts.

We are very excited about our unique Mentorship Programme and feel it can only help us in our stated aim to become the leading marketing services company in Africa by 2010.

We now have a well-developed Human Resources function, which is responsible for all employee-related matters including recruitment and selection, career development, staff performance appraisals, training, internal communication, compensation and benefits as well as staff welfare.

We implemented HR Policies and Procedures Manual which states our obligations and the employee's responsibilities. The terms and conditions described in this manual are what the Company believes provides for a fair and consistent treatment for all employees.

We now also have an Intranet facility which hosts the HR Policies and Procedures Manual. The site is an Internal Communication tool accessible to all Scangroup Employees. The facility keeps employees informed of any new developments in the Company as well as being used as an induction tool for new employees.The site also carries a news section which hosts industry news, articles relating to the workplace and internal memos and circulars.

EMPLOYEE SHARE OWNERSHIP PLAN

In order to encourage loyalty and help recruit and retain valued staff, the Company has set up an Employee Share Ownership Plan (ESOP), which will enable the Company to give options to eligible employees of the whole Group. The necessary regulatory approvals were received in early 2008 and the ESOP was set up under a Trust Deed executed on 13 February 2008.The Shareholders have already given their approval for the Company to allot and issue ordinary shares to the Trustees of the ESOP, from time to time,not exceeding fifteen million (15,000,000) ordinary shares in the Company. No options have so far been granted under the ESOP.

GOING FORWARD

We believe that the year 2007 set the stage for us to deliver on our vision to become the leading marketing services company in Africa by 2010. We therefore continue to move forward with confidence and commitment to deliver on our vision.

Bharat Thakrar
CEO
15th April 2008

"CORPORATE GOVERNANCE IS THE PROCESS BY WHICH COMPANIES ARE DIRECTED, CONTROLLED AND HELD TO ACCOUNT".

The Board of Directors is responsible for the governance of the Company and is accountable to the shareholders for ensuring that the Company complies with the law and the highest standards of corporate governance and business ethics. The Directors attach great importance to the need to conduct the business and operations of the Company and the group with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

BOARD OF DIRECTORS

The full Board meets at least four times a year. The Directors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the company's overall internal control of financial, operational and compliance issues.

Three out of the Five members of the Board are non-executive including the Chairman of the Board, and all other than the CEO and the Executive Creative Director are subject to periodic reappointment in accordance with the Company's Articles of Association.

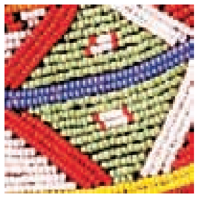
COMMITTEE OF BOARD

The Board has three standing committees, which meet under the terms of reference set by the Board.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Board has constituted an Audit and Risk Management committee which meets four times a year or as necessary. Its membership comprises David Hutchison (Chairman), Richard Omwela and Bharat Thakrar. Its responsibilities include review of financial statements, compliance with accounting standards, internal audit function, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. It is also responsible for monitoring the effectiveness of business risk and management processes in the group.

STAFF AND REMUNERATION COMMITTEE



There is a Staff and Remuneration committee of the Board. Its membership comprises David Hutchison (Chairman), Muchiri Wahome and Bharat Thakrar.

The committee meets as required. The committee is responsible for monitoring and appraising the performance of senior management, including the CEO, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of Executive Directors.

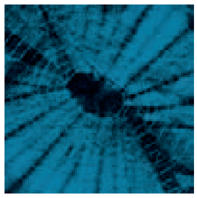
NOMINATION COMMITTEE

There is a Nomination committee of the Board. Its membership comprises David Hutchison (Chairman), Richard Omwela and Bharat Thakrar, the CEO.

The committee meets as necessary. The committee is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise and in particular give consideration to succession planning, taking into account the challenges and opportunities facing the Company, and to ensure the necessary skills and expertise are available on the Board in the future. This committee also appraises the role, contribution and effectiveness of the non-executive Directors.

INTERNAL CONTROL

The group has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. This cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the board takes into account the results of all the work carried out to audit and review the activities of the group. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators.



CODE OF ETHICS

The company is committed to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders. A formal code of ethics has been approved by the board and is fully implemented to guide the management, employees and stakeholders on acceptable behavior in conducting business. All employees of the Company are expected to avoid activities and financial interests that could clash with their responsibilities to the Company.

SHAREHOLDING

SUMMARY OF SHAREHOLDERS AS AT 31ST DECEMBER 2007

Category	Number of share holders	Number of shares held	Shareholding % of issued share capital
Foreign Investors	261	12,101,730	7.56%
East African Individuals	42,414	102,242,388	63.90%
East African Institutions	1,518	45,655,882	28.53%
	44,193	160,000,000	100%

Range	No. Of Members	Total No. of shares	% of issued share capital
1 - 500	35,057	10,993,349	6.87%
501 - 1,000	4,198	3,353,055	2.10%
1,001 - 5,000	3,768	8,636,297	5.40%
5,001 - 10,000	578	4,566,074	2.85%
10,001 - 50,000	508	9,310,385	5.82%
50,001 - 100,000	30	2,160,300	1.35%
100,001 - 1,000,000	43	12,836,440	8.02%
Above 1,000,000	11	108,144,100	67.59%
	44,193	160,000,000	100%

TOP 10 INVESTOR AS AT 31 DECEMBER 2007

Rank	Name	Number of shares held	% of issued share capital
1	Thakrar Bharat	45,360,000	28.35%
2	White Andrew John Laird	26,340,000	16.46%
3	Bora Services Limited	19,300,000	12.06%
4	Barclays (Kenya) Nominees Limited Non resident - A/C 9300	5,401,500	3.38%
5	Barclays (Kenya) Nominees Limited Non resident - A/C 9296	3,604,100	2.25%
6	Stanbic Nominees Kenya Limited - A/C R66502	1,909,600	1.19%
7	Barclays (Kenya) Nominees Limited - A/C 9230	1,543,100	0.96%
8	Barclays (Kenya) Nominees Limited - A/C 9389	1,282,300	0.80%
9	Barclays (Kenya) Nominees Limited Non resident A/C 9107	1,206,500	0.75%
10	Barclays (Kenya) Nominees Limited - A/C 1853	1,151,200	0.72%
		107,098,300	50.49%

ENDED 31ST DECEMBER 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

ALL AMOUNTS IN KSH '000

	31-Dec 2007 Sh '000	31-Dec 2006 Sh '000	31-Dec 2005 Sh '000	31-Dec 2004 Sh '000	31-Dec 2003 Sh '000
Billings	4,773,411	3,012,461	2,343,628	1,936,769	1,446,359
Revenues	1,157,088	829,574	595,564	464,267	351,031
Profit Before Taxation	352,814	278,686	200,994	88,064	52,612
Taxation Charge	(108,381)	(83,158)	(52,802)	(22,719)	(13,995)
Profit After Tax	244,433	195,528	148,192	65,345	38,617
Minority Interest	(7,133)	(9,128)	(4,686)	(955)	(313)
Profit Available to Scangroup shareholders	237,300	186,400	143,506	64,390	38,304

	Sh '000	Sh '000	Sh '000	Sh '000	Sh '000
Earnings Per Share (EPS) (See Note 2 below)	1.48	1.17	0.96	0.43	0.26
Number of shares	160 Million	159 Million	150 Million	150 Million	150 Million

CONSOLIDATED BALANCE SHEET DATA

ALL AMOUNTS IN KSH IN '000

ASSETS					
Non - Current Assets	141,757	47,505	39,130	34,187	30,597
Current Assets	1,611,878	1,190,461	982,433	605,296	510,556
Total Assets	1,753,635	1,237,966	1,021,563	639,483	541,153
Non Current Liabilities	3,481	88	990	400	-
Current Liabilities	1,146,493	766,955	779,965	536,891	490,603
Total Equity	603,661	470,923	240,608	102,192	50,550

Note 1

For comparative purposes, prior years' numbers (year 2003 - year 2005) in the consolidated profit and loss account and the consolidated balance sheet has been included as if the Group, as restructured, had been in existence throughout the period. The presentation adopted is intended to provide a better understanding of the Group's operations and the numbers included above have been taken from the Accountant's report published in the Prospectus dated 13th July 2006.

Note 2

The Earning per share calculations are based on the assumption that the 150 million shares were in issue throughout the prior years i.e. year 2003 to year 2005 and 159 million shares in 2006.

The Earning per share calculation is based on the assumption that the 160 million shares were in issue throughout the year 2007.

CORPORATE INFORMATION

DIRECTORS

David Hutchison*	Chairman
Bharat Thakrar	Chief Executive Officer
Andrew White**	Executive Creative Director
Richard Omwela	Non-Executive Director
Muchiri Wahome	Non-Executive Director

* British
** Australian

SECRETARY

Ramesh R Vora
Elgeyo Marakwet Road
P.O. Box 48405 - 00100
Nairobi

REGISTERED OFFICE

The Chancery, 5th Floor
Valley Road
P.O. Box 34537- 00100
Nairobi

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii", Ring Road, Westlands
P.O. Box 40092 - 00100
Nairobi

BANKERS

CFC Bank Limited
Upper Hill Medical Centre Branch
P.O. Box 2492 - 00200
Nairobi

Diamond Trust Bank Kenya Limited
P.O. Box 61711 - 00200
Nairobi

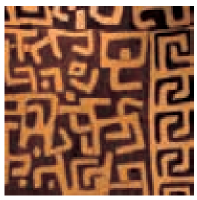
LAWYERS

Daly & Figgis Advocates
Lonrho House,8th Floor
Standard Street
P.O. Box 40034 - 00100
Nairobi

SHARE REGISTRAR

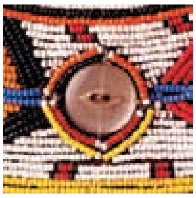
Comp-rite Kenya Limited
8th Floor, Rehani House
Kenyatta Avenue
P.O. Box 64328 - 00619
Nairobi

SUBSIDIARY COMPANIES	ACTIVITIES
Lowe Scanad East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Holding company for Roundtrip Limited, Lowe Scanad Tanzania Limited, Lowe Scanad Uganda Limited and FCB Tanzania Limited.
Lowe Scanad Kenya Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency.
Lowe Scanad Tanzania Limited P.P.F Tower, 17th Floor Ohio street P.O. Box 78769 Dar es Salaam, Tanzania	Advertising agency and parent company for FCB Tanzania Limited.
Lowe Scanad Uganda Limited Murtala Courts, 3rd Floor Lumumba Avenue P.O. Box 7667 , Kampala, Uganda	Advertising agency.
FCB Tanzania Limited P.P.F Tower, 2nd Floor Ohio street P.O. Box 79356 Dar es Salaam, Tanzania	Advertising agency.
Thompson Kenya Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency.
McCann Kenya Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency.
Roundtrip Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Speciality communication company that provides services such as experiential marketing, activation and event management.
Grey East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency.
Scangroup Mauritius Holdings Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Investment Company & parent company of Scangroup (Mauritius) Ltd.
Scangroup (Mauritius) Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Investment company & parent company of subsidiaries outside East Africa.



SUBSIDIARY COMPANIES	ACTIVITIES
Redsky Limited Nairobi Business Park Unit C, P.O.Box 34537 - 00100 Nairobi	Advertising agency. (Acquired on 15th January 2007)
Scangroup (Zambia) Limited Plot 2386, Longolongo Road P.O. BOX 32115 Lusaka, Zambia	Dormant.
Scangroup (Malawi) Limited Aquarius House, Capital City P.O. Box 30636 Lilongwe 3, Malawi	Dormant.
Scangroup Mozambique Limitada Predio 33 Andares 16 Andar Maputo, Mozambique	Dormant.
Scangroup West Africa Limited U8 Faloln Road Surulee, Lagos, Nigeria	Dormant.

The directors present their report together with the group's audited financial statements for the year ended 31 December 2007.



ACTIVITIES

The principal activity of the group is that of developing communication strategies, creating advertisements for products and services, planning and buying media as well as providing marketing consultancy and advice to its clients.

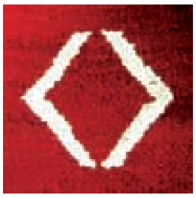
RESULTS

Results for the year ended 31st December 2007 are set out below:

	2007 Sh'000
Consolidated profit before taxation	352,814
Taxation charge	(108,381)
Profit for the year	244,433
Attributable to equity holders of the parent	237,300
Minority interest	7,133
	244,433

DIVIDENDS

In respect of the current year, the directors propose that a first and final dividend of Sh 0.90 per share totalling Sh 144,000,000 be paid (2006 - first & final dividend of Sh 0.80 per share totalling Sh 127,200,000). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 20th May 2008. Dividend payment will be subject to withholding tax, where applicable.



DIRECTORS

The current members of the Board of Directors are as shown on page 16.

AUDITORS

Deloitte & Touche, have expressed their willingness to continue in office in accordance with section 159(2) of the companies act.

By Order of the Board
15th April 2008
Nairobi, Kenya

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the group and the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

David G. M. Hutchison
Chairman
15 April 2008

Bharat Thakrar
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCANGROUP LIMITED

We have audited the financial statements of Scangroup Limited set out on pages 22 to 44 which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material mis-statement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material mis-statement.

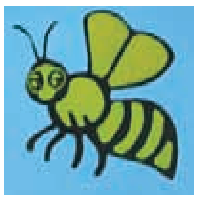
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment and include an assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the group'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 group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

(a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;



(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2007 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

DELOITTE & TOUCHE
15th April 2008
Nairobi, Kenya

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
BILLINGS	4	4,773,411	3,012,461
DIRECT COSTS		(3,616,323)	(2,182,887)
REVENUE		1,157,088	829,574
OTHER INCOME		3,474	-
ADMINISTRATION EXPENSES		(709,168)	(467,788)
OPERATING EXPENSES		(81,002)	(80,447)
NET FINANCE COSTS	5	(17,578)	(2,653)
PROFIT BEFORE TAXATION	6	352,814	278,686
TAXATION CHARGE	8	(108,381)	(83,158)
PROFIT FOR THE YEAR		244,433	195,528
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		237,300	186,400
MINORITY INTEREST	21	7,133	9,128
		244,433	195,528
EARNINGS PER SHARE (Sh)	10	1.49	1.21
FINAL DIVIDEND PER SHARE (PROPOSED) (Sh)	11	0.90	0.80

AS AT 31 DECEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
ASSETS			
Non current assets			
Equipment	12(a)	60,723	47,416
Deferred tax asset	14	3,583	89
Goodwill	15	77,451	-
		141,757	47,505
Current assets			
Trade and other receivables	16	1,553,548	975,209
Work-in-progress	18	25,225	32,024
Taxation recoverable		11,300	20,136
Short-term deposits	19	-	74,225
Cash and bank balances	24(b)	21,805	88,867
		1,611,878	1,190,461
Total assets		1,753,635	1,237,966
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	160,000	159,000
Share premium account		77,878	55,128
Revenue reserve		349,658	244,676
		587,536	458,804
Equity attributable to equity holders of the parent			
Minority interest	21	16,125	12,119
Total equity		603,661	470,923
Non Current liabilities			
Borrowings	22	3,481	88
Current liabilities			
Trade and other payables	23	1,140,305	749,320
Due to directors	17	-	16,684
Borrowings	22	1,347	951
Unclaimed dividends		4,841	-
		1,146,493	766,955
Total equity and liabilities		1,753,635	1,237,966

The financial statements on pages 22 to 44 were approved by the Board of Directors on 15th April 2008 and were signed on its behalf by:

David G. M. Hutchison
Chairman

Bharat Thakrar
Director

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
Assets			
Non current assets			
Equipment	12(b)	7,261	4,579
Investment in subsidiaries	13	183,089	104,644
Deferred tax asset	14	341	385
		190,691	109,608
Current assets			
Trade and other receivables	16	337,452	263,118
Due from related companies	17	262,688	94,957
Work in progress	18	7,144	1,890
Taxation recoverable		23,171	28,002
Short-term deposits	19	-	74,225
Cash and bank balances		78,858	77,656
		709,313	539,848
Total assets		900,004	649,456
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	160,000	159,000
Share premium account		77,878	55,128
Revenue reserve		207,269	147,024
Shareholders' funds		445,147	361,152
Current liabilities			
Trade and other payables	23	446,183	271,211
Due to directors	17	-	16,927
Due to related companies	17	3,833	166
Unclaimed dividends		4,841	-
		454,857	288,304
Total equity and liabilities		900,004	649,456

The financial statements on pages 22 to 44 were approved by the Board of Directors on 15th April 2008 and were signed on its behalf by:

David G. M. Hutchison
Chairman

Bharat Thakrar
Director

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital Sh'000	Share premium account Sh'000	Revenue reserve Sh'000	Attributable to equity holders of the parent Sh'000	Minority interest Sh'000	Total Sh'000
For the year ended 31 December 2006						
At 1 January 2006	150,000	-	85,472	235,472	2,991	238,463
New shares issued	9,000	85,050	-	94,050	-	94,050
Initial Public Offering expenses**	-	(29,922)	-	(29,922)	-	(29,922)
Profit for the year	-	-	186,400	186,400	9,128	195,528
Final dividend paid - 2005	-	-	(20,000)	(20,000)	-	(20,000)
Translation adjustment*	-	-	(7,196)	(7,196)	-	(7,196)
At 31 December 2006	159,000	55,128	244,676	458,804	12,119	470,923
For the year to 31 December 2007						
At 1 January 2007	159,000	55,128	244,676	458,804	12,119	470,923
New shares issued ***	1,000	22,750	-	23,750	-	23,750
Translation adjustment *	-	-	(5,118)	(5,118)	-	(5,118)
Profit for the period	-	-	237,300	237,300	7,133	244,433
Final dividend paid - 2007	-	-	(127,200)	(127,200)	(3,127)	(130,327)
At 31 December 2007	160,000	77,878	349,658	587,536	16,125	603,661

* Translation adjustment relates to exchange differences arising on consolidation of opening net assets of foreign subsidiaries.

** The company's portion of Initial Public offering (IPO) expenses in 2006 amounting to Sh 29,921,802 was offset from the share premium account.

*** The company issued one million shares to acquire a 15% shareholding in Redsky limited.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital Sh'000	Share premium account Sh'000	Revenue reserve Sh'000	Total Sh'000
For the year ended 31 December 2006				
At 1 January 2006	150,000	-	37,646	187,646
New shares issued	9,000	85,050	-	94,050
Initial Public Offering expenses*	-	(29,922)	-	(29,922)
Profit for the year	-	-	129,378	129,378
Final dividend paid - 2005	-	-	(20,000)	(20,000)
At 31 December 2006	159,000	55,128	147,024	361,152
For the year ended 31 December 2007				
At 1 January 2007	159,000	55,128	147,024	361,152
New shares issued **	1,000	22,750	-	23,750
Profit for the period	-	-	187,445	187,445
Final dividend paid - 2007	-	-	(127,200)	(127,200)
At 31 December 2006	160,000	77,878	207,269	445,147

* The company's portion of Initial Public offering (IPO) expenses in 2006 amounting to Sh 29,921,802 was offset from the share premium account.

** The company issued one million shares to acquire a 15% shareholding in Redsky limited.

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	24(a)	165,604	235,688
Taxation paid		(103,038)	(90,523)
Net cash generated from operating activities		62,566	145,165
INVESTING ACTIVITIES			
Purchase of equipment	12(a)	(25,875)	(17,624)
Proceeds on sale of equipment		-	923
Acquisition of subsidiary	15	(53,701)	(7,949)
Net cash used in investing activities		(79,576)	(24,650)
FINANCING ACTIVITIES			
Issue of new shares		-	94,050
Initial public offering expenses		-	(29,921)
Loans received		3,394	(672)
Dividends paid		(125,486)	(20,000)
Net cash (used in)/generated from financing activities		(122,092)	43,457
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(139,102)	163,972
ACQUIRED ON ACQUISITION OF SUBSIDIARIES	15	(502)	5,767
EXCHANGE RATE ADJUSTMENT		(1,683)	(3,087)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		163,092	(3,560)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24(b)	21,805	163,092

FOR THE YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards (IFRS)

Standards and Interpretations effective in the current period

In the current year, the company has adopted IFRS 7; Financial Instruments: Disclosures which is effective for annual periods beginning 1 January 2007 and the consequential amendments to IAS 1; Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments and management of capital (see note 3).

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 7; Applying the Restatement Approach under IAS 29; Financial Reporting in Hyperinflationary Economies, IFRIC 8; Scope of IFRS 2, IFRIC 9; Reassessment of embedded derivatives and IFRIC 10; Interim Financial Reporting and Impairment. The adoption of these interpretations has not led to any changes in the company's accounting policies.

Standards and Interpretations issued but not effective in the current period

At the date of approval of these financial statements, the following new or revised Standards and Interpretations were in issue but not yet effective:

- IFRS 8 - Operating Segments
- IFRIC 11 - IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - IAS 18 Revenue: Customer Loyalty Programs
- IFRIC 14 – IAS 19 Employee Benefits: Effect of Minimum Funding Requirements on Asset Ceiling.

The adoption of these standards and interpretations, when effective, will have no material impact on the financial statements of the company.

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting. The principal accounting policies adopted remain unchanged from the previous year and are set out below:

Basis of consolidation

Subsidiary undertakings, being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated as from the date of disposal. All inter-company transactions, balances and unrealised surpluses and deficits on transactions with the subsidiary companies have been eliminated.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries namely Lowe Scanad Kenya Limited, Grey East Africa Limited, McCann Kenya Limited, Thompson Kenya Limited, Lowe Scanad Tanzania Limited, Lowe Scanad Uganda Limited, Roundtrip Limited, Scangroup (Mauritius) Limited, FCB Tanzania Limited, Scangroup West Africa Limited, Scangroup Mauritius Holdings Limited and Redsky Limited whose effective control was transferred on 15 January 2007. The company and subsidiaries' financial statements have been prepared to 31 December 2007.

Minority interests in the net assets are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Billings amount represents amounts billed to customers excluding rebates and Value Added Tax. Revenue is recognised upon performance of services.

Work-in-progress

Work in progress is stated at the lower of cost or net realisable value and represents direct recoverable cost chargeable to specific clients. Attributable profits are only recognized once a job is complete.

Equipment

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated on the reducing balance basis estimated to write off the cost of equipment over their expected useful lives at the following annual rates:

Computers and accessories	30%
Motor vehicles	25%
Furniture, fittings and equipment	12.5%

Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

Leases

The group's leases are classified as finance leases whenever the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are amortised on the straight line basis over the term of the relevant lease.

Foreign currencies

Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains or losses on exchange are dealt with in the income statement.

Financial instruments

Financial assets and liabilities are recognised in the group's balance sheet when the group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

Trade payables

Trade payables are stated at their nominal value.

Bank borrowings

Bank borrowings are measured at amortised cost.

Investment in subsidiaries

Investment in subsidiaries is stated at cost less any accumulated impairment losses.

Goodwill

Initially goodwill is measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the group:

a) reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and

b) recognises immediately in profit or loss any excess remaining after that reassessment.

Impairment

At each balance sheet date, the group reviews the carrying amounts of its financial assets, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the asset are estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Retirement benefits

The group makes contributions to the statutory defined contribution pension schemes in the three East African countries where operations are based. The group's obligations under the scheme are limited to specific contributions legislated from time to time.

The group's obligations to retirement benefit schemes are recognised in the income statement as they fall due.

Provisions for employee entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. Leave expires as at 31 December of each year hence no provision is made.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the group's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the group's accounting policies are dealt with below:

Critical judgements in applying accounting policies

Equipment

Critical estimates are made by the directors, in determining depreciation rates for equipment.

Impairment losses

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Classification of financial assets and liabilities

Critical judgements are made by the group in classifying its financial assets and liabilities.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of equipment

As described above, the group reviews the estimated useful lives of equipment at the end of each annual reporting period.

Provisions and contingent liabilities

The company reviews its obligations at the each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities.

3. RISK MANAGEMENT POLICIES

The group's financial risk management objectives and policies are detailed below:

(a) Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 22, issued capital, reserves and retained earnings as disclosed in note 20.

The group's overall strategy remains unchanged from 2006.

Gearing ratio

The gearing ratio at the year end was as follows:

	31 December 2007 Shs'000	31 December 2006 Shs'000
Share capital	160,000	159,000
Share premium	77,878	55,128
Retained earnings	349,658	244,676
	587,536	458,804
Minority interest	16,125	12,119
Total equity	603,661	470,923
Total borrowings	4,828	1,039
Less: cash and cash equivalents	21,805	163,092
Net debt (Net positive cash and cash equivalent)	(16,977)	(162,053)
Gearing	n/a	n/a

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Financial risk management objectives

The group's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the group's products and services. The group's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The group does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

(d) Credit risk

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the group's management based on prior experience and their assessment of the current economic environment.

The credit risk on trade receivables is limited because the customers are known customers with good credit standing.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The amount that best represents the group's maximum exposure to credit as at 31 December 2007 is made up as follows:

Receivables	Fully performing Shs'000	Past due Shs'000
Trade Receivables	1,247,187	167,251

Cash and cash equivalents are fully performing.

The customers under the fully performing category are paying their debts as they continue trading .The default rate is low.

The debt that is overdue is not impaired and continues to be paid. The credit control department is actively following this debt.

(e) Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the group's borrowings.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. Included in note 22 are details of additional undrawn facilities that the company has at its disposal to further reduce liquidity risk.

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

	Less than 1 month Sh'000	Between 1-3 months Sh'000	Over 3 months Sh'000
Borrowings - bank borrowings	-	-	4,828
Trade and other payables	699,466	281,951	158,888

(g) Market and Currency risk

The company's operations are predominantly in Kenya where the currency has been relatively fluctuating against the major convertible currencies.

The Group is exposed to foreign exchange risk arising from transactions in foreign currency such as services extended to clients and billed in hard currency. In addition, the financial performance of the Uganda and Tanzania subsidiaries is reported in Ugandan Shilling and Tanzanian Shillings respectively.

In light of the above, any adverse movements in exchange rates may result in either exchange gain or loss, with the latter having a negative impact on earnings, as Scangroup reports its financial performance in Kenya Shillings.

A sizable portion of the company's purchases are denominated in foreign currencies principally in the US dollars. The company does not hedge its foreign currency risk.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

4. GEOGRAPHICAL SEGMENTS

	2007 Sh'000	2006 Sh'000
The group's billings are derived from sales in the following markets:		
Kenya	3,570,772	2,129,994
Uganda	485,187	234,026
Tanzania	717,452	648,441
	4,773,411	3,012,461

5. NET FINANCE COSTS

Interest payable on bank overdraft	5,474	1,763
Net foreign exchange losses	12,104	890
	17,578	2,653

6. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

Staff costs (note 7)	560,854	372,137
Auditors' remuneration	6,390	5,185
Operating lease rentals	33,563	28,281
Depreciation	18,721	13,372
Directors' remuneration - Fees to non-executive directors	1,360	1,340
- Other emoluments to executive directors	45,384	43,257

7. STAFF COSTS

Salaries and wages	536,207	352,329
Social security costs (NSSF)	12,590	10,450
Others	12,057	9,358
	560,854	372,137

8. TAXATION

(a) Tax expense

Current taxation based on the adjusted profit

For Company at 20%	9,334	-
For Subsidiaries at 30%	102,209	83,490
Deferred taxation credit (note 14)	(3,162)	(332)
	108,381	83,158

(b) Reconciliation of expected tax based
on accounting profit to tax expense

Accounting profit before taxation	352,814	278,686
Tax at the applicable rate of 30%	105,844	83,605
Tax effect of expenses not deductible for tax purposes	5,620	2,314
Tax effect of Holding company being charged @20%	(4,666)	
Withholding tax on dividend received from the foreign subsidiary	1,583	6,056
Tax benefit on IPO expenses written off against share premium account	-	(8,817)
	108,381	83,158

9. PROFIT AFTER TAXATION

The profit after taxation of Sh 187,445,000 (2006 - Sh 129,378,000) has been dealt with in the financial statements of the holding company.

10. EARNINGS PER SHARE

Earnings per share are calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	2007	2006
	Sh'000	Sh'000
Profit attributable to equity holders of the parent (Sh'000)	237,300	186,400
Weighted average number of shares	159,250	153,750
Basic earnings per share	1.49	1.21

Diluted earnings per share is the same as basic earnings per share

11. DIVIDENDS

In respect of the current year, the directors propose that a first and final dividend of Sh 0.90 per share totalling Sh 144,000,000 be paid (2006 – first & final dividend of Sh 0.80 per share totalling Sh 127,200,000). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 20th May 2008. Dividend payment will be subject to withholding tax, where applicable.

12. (a) EQUIPMENT - GROUP

	Computers and accessories Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Total Sh'000
COST				
At 1 January 2006	23,465	17,068	27,265	67,798
Acquired on purchase of subsidiaries	6,612	1,178	3,931	11,721
Additions	4,717	6,130	6,776	17,623
Disposals	(857)	(1,754)	(2,195)	(4,806)
Exchange rate adjustment	(946)	(948)	(2,548)	(4,442)
At 31 December 2006	32,991	21,674	33,229	87,894
At 1 January 2007	32,991	21,674	33,229	87,894
Acquired on purchase of subsidiaries	5,814	2,640	5,459	13,913
Additions	9,271	12,913	3,691	25,875
Disposals	-	(5,670)	-	(5,670)
Exchange rate adjustment	(2,735)	(2,218)	(2,025)	(6,978)
At 31 December 2007	45,341	29,339	40,354	115,034
DEPRECIATION				
At 1 January 2006	5,156	9,341	14,660	29,157
Acquired on purchase of subsidiaries	1,630	298	513	2,441
Charge for the period	6,079	4,142	3,151	13,372
Eliminated on disposals	(815)	(930)	(1,238)	(2,983)
Exchange rate adjustment	(291)	(321)	(897)	(1,509)
At 31 December 2006	11,759	12,530	16,189	40,478
At 1 January 2007	11,759	12,530	16,189	40,478
Acquired on purchase of subsidiaries	3,220	1,307	1,379	5,906
Charge for the period	9,071	6,259	3,391	18,721
Eliminated on disposals	-	(4,203)	-	(4,203)
Exchange rate adjustment	(2,515)	(2,075)	(2,001)	(6,591)
At 31 December 2007	21,535	13,818	18,958	54,311
NET BOOK VALUE				
At 31 December 2007	23,806	15,521	21,396	60,723
At 31 December 2006	21,232	9,144	17,040	47,416

Included in motor vehicles is Sh 3,897,564 (USD 62,321.) in Scangroup West Africa Limited that is subject of a legal issue and is not available to the group until the matter is settled by the parties.

12. (b) EQUIPMENT - COMPANY

	Computers and accessories Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Total Sh'000
COST				
At 1 January 2006	703	3,902	3,158	7,763
Additions	530	-	402	932
Disposals	-	-	(67)	(67)
At 31 December 2006	1,233	3,902	3,493	8,628
At 1 January 2007	1,233	3,902	3,493	8,628
Additions	2,081	2,300	379	4,760
Disposals	-	(350)	-	(350)
At 31 December 2007	3,314	5,852	3,872	13,038
DEPRECIATION				
At 1 January 2006	414	994	1,399	2,807
Charge for the period	284	726	248	1,258
Eliminated on disposals	-	-	(17)	(17)
At 31 December 2006	698	1,720	1,630	4,048
At 1 January 2007	698	1,720	1,630	4,048
Charge for the period	785	959	280	2,024
Eliminated on disposals	-	(295)	-	(295)
At 31 December 2007	1,483	2,384	1,910	5,777
NET BOOK VALUE				
At 31 December 2007	1,831	3,468	1,962	7,261
At 31 December 2006	535	2,181	1,863	4,579

13. INVESTMENT IN SUBSIDIARIES, AT COST

	2007 Sh'000	2006 Sh'000
Lowe Scanad Kenya Limited (100% owned)	40,000	40,000
Thompson Kenya Limited (90% owned)	17,000	18,000
Lowe Scanad East Africa Limited (100% owned)	34,500	31,500
McCann Kenya Limited (100% owned)	15,000	15,000
Scangroup Mauritius Holdings Limited (100% owned)	144	-
Scangroup Mauritius Limited (100% owned)	-	144
Redsky Limited (Effective 100%)*	78,446	-
	183,089	104,644

* Currently the company has a shareholding of 65% in Redsky Limited and the balance 35% shares are non-participating in profits and dividends and have no voting rights.

Scangroup Limited is the ultimate holding company of the following companies which are subsidiaries of Lowe Scanad East Africa Limited, a wholly owned subsidiary of Scangroup Limited:

	Shareholding %
Lowe Scanad Uganda Limited	100%
Lowe Scanad Tanzania Limited	82%
Roundtrip Limited	100%
FCB Tanzania Limited (subsidiary of Lowe Scanad Tanzania Limited)	82%

Scangroup Limited is also ultimate holding company of Scangroup (Mauritius) Limited which is 100% subsidiary of Scangroup Mauritius Holdings Limited, a wholly owned subsidiary of Scangroup Limited.

Scangroup Limited is also ultimate holding company of Scangroup West Africa Limited which is 75% owned subsidiary of Scangroup (Mauritius) Limited.

14. DEFERRED TAX ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the currently enacted tax rate. The net deferred taxation asset is attributable to the following items:

	GROUP		COMPANY	
	2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
Accelerated (capital allowances)/ depreciation	2,288	(1,293)	281	269
Unrealised exchange losses	1,295	1,382	60	116
	3,583	89	341	385
The movement on the deferred tax account is as follows:				
At beginning of period	89	488	385	84
Income statement (credit)/charge (note 8)	3,162	(332)	(44)	301
Effect of exchange rates	332	(67)	-	-
At end of period	3,583	89	341	385

15. ACQUISITION OF SUBSIDIARY

Analysis of assets and liabilities acquired;

Current assets	Sh'000
Trade and other receivables	127,117
Equipment	8,887
	136,004

Current liabilities	
Trade and other payables	118,267
Contingent liabilities	17,235
Bank overdraft	502
	136,004

Net assets acquired	-
Purchase consideration	77,451
Goodwill on acquisition	77,451

Net cash outflow on acquisition	
Total purchase consideration	77,451
Non-cash consideration	23,750
	53,701
Add back bank overdraft	502
Net cash outflow	54,203

The Group acquired a major customer of Redsky Limited as part of the acquisition. These assets could not be reliably measured and separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Since its acquisition, Redsky Limited has continued making profits and future projections indicate that the company will continue on the profitability path. The directors are of the opinion that goodwill is not impaired.

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2007	2006	2007	2006
	Sh'000	Sh'000	Sh'000	Sh'000
Trade	1,414,438	905,865	315,132	253,602
VAT Refund	120,363	66,601	15,588	9,516
Other	18,747	2,743	-	-
	1,553,548	975,209	330,720	263,118

Included in other receivables is Sh 17,650,000 (USD 282,222.) in Scangroup West Africa Limited that is subject of a legal issue and is not available to the group until the matter is settled by the parties.

17. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

COMPANY BALANCE SHEET:

Due from related companies

	2007 Sh'000	2006 Sh'000
Lowe Scanad Uganda Limited	347	333
Scangroup (Mauritius) Limited	23,651	116
Grey East Africa Limited	642	-
Thompson Kenya Limited	4,917	-
Roundtrip Limited	10,473	-
McCann Kenya Limited	12,525	-
Lowe Scanad Kenya Limited	92,705	-
Redsky Limited	26,600	-
Dividend receivable from Lowe Scanad Tanzania Limited	15,828	54,508
Dividend receivable from Lowe Scanad Kenya Limited	75,000	25,000
Dividend receivable from Roundtrip Limited	-	15,000
	262,688	94,957

Due to related companies

Lowe Scanad Tanzania Limited	3,833	166
	3,833	166

	GROUP		COMPANY	
	2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
Due to directors	-	16,684	-	16,927
The following transactions were carried out with related companies:				
Sale of services	-	-	291,557	160,243

Remuneration of Directors and key management compensation

The remuneration of directors and other members of key management during the period were as follows:

	2007 Sh'000	2006 Sh'000
Salaries and other benefits	191,515	145,143

Directors remuneration (included in key management compensation above)

	2007 Sh'000	2006 Sh'000
Fees for services as non executive directors	1,360	1,340
Other emoluments to executive directors	45,384	43,257
	46,744	44,597

18. WORK IN PROGRESS

Work in progress relates to the direct costs of ongoing advertising space assignments and is recoverable from customers on completion of jobs.

19. SHORT TERM DEPOSITS – GROUP AND COMPANY

	2007 Sh'000	2006 Sh'000
Fixed deposits with Diamond Trust Bank Kenya Limited	-	69,225
Call deposits with CFC Bank Limited	-	5,000
	-	74,225

The average rate of interest earned on the fixed deposits was 6.00% (2006 – 6.00%) while the average interest rate on the call deposits was 5.25% (2006 – 5.25%).

20. SHARE CAPITAL

	2007 Sh'000	2006 Sh'000
Authorised share capital:		
Ordinary shares 180,000,000 of Sh 1 each	180,000	180,000
Issued and fully paid share capital:		
Ordinary shares 160,000,000 of Sh 1 each (December 2006 - 159,000,000 ordinary shares of Sh 1 each)	160,000	159,000

	GROUP		COMPANY	
	2007 Number of Shares	2006 Sh'000	2007 Number of Shares	2006 Sh'000
At beginning of year	159,000	150,000	159,000	150,000
New share issue	1,000	9,000	1,000	9,000
At end of year	160,000	159,000	160,000	159,000

The company has established a Employee Share Ownership Scheme (ESOP) under a Trust Deed dated 13 February 2008. Under the scheme, the Trustees shall in accordance with directions received from the company offer eligible employee's options to purchase shares in accordance with the terms of the ESOP Rules.

The Shareholders have already given their approval for the company to allot and issue ordinary shares to the Trustees of the ESOP, from time to time, not exceeding fifteen million (15,000,000) ordinary shares in the company. No options have so far been granted under the ESOP.

21. MINORITY INTEREST - GROUP

	2007	2006
	Sh'000	Sh'000
At 1 January	12,119	2,991
Share of profit for the period	7,133	9,128
Dividend paid	(3,127)	-
At 31 December	16,125	12,119

22. BORROWINGS

	GROUP	
	31 December 2007	31 December 2006
	Sh'000	Sh'000
Hire purchase financing	4,828	1,039
Repayable within one year	1,347	951
Repayable after one year	3,481	88

The group has an overdraft and hire purchase finance facilities with CFC Bank Limited to the maximum limit of Sh 240 million. Details of securities for the facility are as follows:

(i) A joint and several debenture over all the present and future moveable and immovable assets of Scangroup Limited, Lowe Scanad Kenya Limited, Lowe Scanad East Africa Limited, Thompson Kenya Limited, Roundtrip Limited, McCann Kenya Limited, Redsky Limited and Grey East Africa Limited for amount of Sh 240 million.

(ii) Corporate Guarantees and Indemnities of Lowe Scanad Kenya Limited, Lowe Scanad East Africa Limited, Thompson Kenya Limited, Roundtrip Limited, McCann Kenya Limited, Redsky Limited and Grey East Africa Limited for amount of Sh 240 million.

(iii) Right of set-off from Scangroup Limited in favour of CFC Bank Limited.

(iv) The hire purchase facility from CFC Bank Limited is in respect of motor vehicles and is secured over the motor vehicle.

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2007	2006	2007	2006
	Sh'000	Sh'000	Sh'000	Sh'000
Trade payables	874,178	582,436	345,473	256,924
Other payables and accruals	266,127	166,884	100,710	14,287
	1,140,305	749,320	446,183	271,211

24. NOTES TO THE CASH FLOW STATEMENT

	2007	2006
	Sh'000	Sh'000
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	352,814	278,686
Depreciation	18,721	13,373
Loss on disposal of equipment	-	899
Exchange rate adjustment for opening reserves	(8,692)	(8,971)
Operating profit before working capital changes	362,843	283,987
Increase in trade and other receivables	(578,339)	(189,356)
Decrease/(increase) in work-in-progress	6,799	(27,039)
Increase in trade and other payables	390,985	159,063
(Increase)/decrease in amounts due to directors	(16,684)	9,033
Cash generated from operations	165,604	235,688
(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet		
Cash and bank balances	21,805	88,867
Short-term deposits	-	74,225
	21,805	163,092

25. RETIREMENT BENEFIT OBLIGATIONS

The group makes contributions to the statutory defined contribution schemes in the three East African countries where operations are based. Contributions to the statutory schemes are determined by local statutes. For the year ended 31 December 2007, the group contributed Sh 12,590,000 (2006– Sh 10,450,000) to the statutory schemes.

26. OPERATING LEASE COMMITMENTS

The total future minimum lease payments due to third parties under non-cancellable operating leases relating to office and car park rental are as follows:

	2007	2006
	Sh'000	Sh'000
Within 1 year	39,472	26,477
Within 2 to 3 years	95,929	55,436
	135,401	81,913

27. FAIR VALUES

The directors consider that there is no material difference between the fair value and carrying value of the company's financial assets and liabilities where fair value details have not been presented.

28. CONTINGENT LIABILITIES

	2007	2006
	Sh'000	Sh'000
Pending claims	9,681	3,600

These relate to claims against the group by various parties. The likely outcome of these claims cannot be determined as at the date of signing these financial statements. The directors' estimate of the maximum liability arising from these pending claims is set out above. However, the directors do not expect any significant liability to arise from these pending matters.

29. INCORPORATION

The company is domiciled and incorporated in Kenya as a limited company under the Companies Act.

30. CURRENCY

These financial statements are prepared in Kenya Shillings thousands (Sh'000).