Scangroup

Annual report & accounts 2008

"Our Vision is to be the Leading Marketing Services Company in Africa"

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Notice of the Annual General Meeting 2009

SCANGROUP LIMITED

NOTICE is hereby given that the 2009 Annual General Meeting of the Company will be held at The Plenary Hall, Kenyatta International Conference Centre, Harambee Avenue, Nairobi on Friday, 29th May 2009 at 11 a.m. to transact the following business:

Ordinary 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 2008 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 2008.
4. To approve the payment of a first and final dividend in respect of the year ended 31st December 2008 as follows:
   (a) Sh 0.75 per share to all ordinary shareholders, other than Cavendish Square Holding BV, who in aggregate hold 160,000,000 ordinary shares; and
   (b) Sh 0.26 per share to Cavendish Square Holding BV holding 60,689,655 ordinary shares
5. To re-elect Director:
   Mr. David Graham Michael Hutchison retires by rotation under the provisions of Article 93 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.

Special Business

7. To consider and if accepted pass the following Special Resolutions:

(1) THAT Article 152 of the Company's Articles of Association be amended by the deletion of the current Article 152 and the adoption of the following new Article 152:

'Every notice given by the Company shall be in writing. To the extent permissible by law the Company may serve any notice to be given to members by either:

(a) Publishing such notice in two Kenyan daily newspapers with wide circulation for two consecutive days; or

(b) Sending such notice through the post addressed to such member at his registered postal address; or by facsimile transmission to such member at his registered facsimile address; or by electronic mail to such member at his registered electronic mail address, provided that where the Company elects to send such notice to any member at his registered facsimile or electronic mail address the Company shall ensure that such notice is also published in two Kenyan daily newspapers in accordance with paragraph (a) of this Article 152.

(c) Where the Company elects to serve any notice to members in accordance with paragraph (a) of this Article 152 the Company shall send a similar notice by post, facsimile transmission or by electronic mail as the case may be to any and every member who has their registered postal address outside of Kenya'.

And

THAT Article 154 of the Company's Articles of Association be amended by the deletion of the current Article 154 and the adoption of the following new Article 154:

(a) 'Any notice which has been published in a daily newspaper in accordance with Article 152(a) shall be deemed to have been served at 9:00am on the next business day following the second day of publication.

(b) Any notice sent by post shall be deemed to have been served at the expiration of Seventy-two hours after posting.

(c) Any notice sent by facsimile or electronic mail shall be deemed to have been served at 9:00am on the business day following the date when transmitted or sent.

(d) Any Member whose registered address is not within Kenya may by notice in writing require the Company to register an address within Kenya, which, for the purpose of the service of notices, shall be deemed to be his registered address. A Member who has no registered address within Kenya, and who has not given notice as aforesaid, shall be entitled to receive notices from the Company at his address outside Kenya.

(e) In proving the giving of a notice it shall be sufficient to prove that the notice was published in accordance with Article 152(a), or as the case may be that the envelope containing the notice was properly addressed, stamped and posted, or that the applicable means of telecommunication or electronic communication was properly addressed and transmitted, dispatched or sent in accordance with Article 152(b).

(f) The failure of any person or entity to receive any notice served pursuant to this Article 154 shall not in any way invalidate any proceedings or actions taken by the Company for which the notice was given'.

(2) THAT Article 148 of the Company's Articles of Association be amended by the deletion of the current Article 148 and the adoption of the following new Article 148:

(a) 'A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Auditors' report, (together the "Accounts") shall not less than twenty-one days before the date of the meeting be sent, or to the extent permissible by law, be otherwise made available by electronic means, to every member of, and every holder of debentures in the Company and to every person registered under Articles 34 to 40.

(b) The Accounts may be sent by post or otherwise be made available to the extent permissible by law, by electronic means and not by post. This Article shall not require a copy of the Accounts to be sent to more than the first named of any joint holders of any shares or debentures. To the extent permissible by law the Company may send the Accounts to all persons entitled thereto by publishing the Accounts on the Company's official website and if available on the official website of the Nairobi Stock Exchange, provided that the Company shall contemporaneously print its latest balance sheet and last profit and loss statements together with the Auditor's report in two Kenyan daily newspapers with wide circulation for two consecutive days drawing attention to the website(s) on which the Accounts in full may be read, and the address to which a request for a printed copy of the Accounts may be submitted and upon any such publication the Accounts shall be deemed to have been sent to every member or other person entitled to receive a copy of the Accounts'.

By Order of the Board

R.R. Vora
Company Secretary
15 April 2009
Nairobi, Kenya

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 appointor or his attorney duly authorized in writing, or, if the appointor is a Corporation, either under seal, or under the hand of an officer or attorney duly authorized.*
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, The Chancery Building, Valley Road, PO 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.*

ADDENDUM

Current Articles 148, 152 and 154 proposed for amendments:

Article 148:
'A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Auditors' report, shall not less than Twenty-one days before the date of the meeting be sent to every member of, and every holder of debentures of, the Company and to every person registered under Articles 34 to 40 but this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, nor to more than One of the joint holders of any shares or debentures.'

Article 152:
'A notice may be served by the Company upon any member either personally or by sending it through the post addressed to such member at his registered address.'

Article 154:
'Any notice if sent by post shall be deemed to have been served at the expiration of Seventy-two hours after posting and in proving such service it shall be sufficient to prove that the envelope containing the notice was properly addressed, stamped, and posted. Notices sent outside Kenya shall be sent by express airmail service'.

Board of Directors

David Hutchison

Chairman and Independent Non-Executive Director - David 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 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 five (35) years working experience in Advertising and Communications. Bharat is a Director of all the Scangroup Subsidiaries, Internet Solutions 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

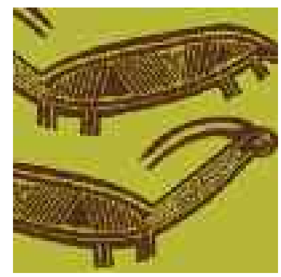
Group Creative Director - Andrew holds a Bachelor of Arts Degree (Communications) from the University of Technology, Sydney, Australia. Andrew has considerable local and international experience in advertising having previously worked in Sydney, Hong Kong and Singapore prior to joining Scanad in 1990 as the Group Executive Creative Director. He is also a Director of all the Scangroup Subsidiaries, except Redsky Limited.

Richard Omwela

Independent Non-Executive Director - Richard 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 the Managing Partner of Hamilton Harrison and Mathews Advocates. He is a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. He is also Chairman of Kenya Rugby Football Union.

Muchiri Wahome

Independent Non-Executive Director - Muchiri 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 20 years of retail experience, Muchiri is currently the Managing Director of Deacons Kenya Limited. 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 Nyeri 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.



Andrew Grant Balfour Scott

Non-Executive Director - Andrew has since 1999 been WPP's Director of Corporate Development leading the Group's global Mergers and Acquisition activity. Andrew also leads WPP's International Specialist Communications Division which contains businesses in a diverse range of marketing services sectors - Promotion and Relationship Marketing, Sports Marketing, Custom Publishing and Media, Technology and Production Services. Prior to joining WPP Andrew was a strategy consultant at LEK Consulting. He holds an MBA with distinction from INSEAD.

Christopher Paul Sweetland

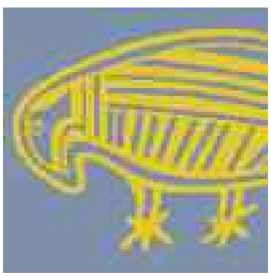
Non-Executive Director - Christopher graduated with an honors degree in Pure Maths and trained as a Chartered Accountant at KPMG. Prior to joining WPP in 1989, Chris worked overseas for 9 years at PepsiCo. He is currently Deputy Group CFO with WPP.

Ramesh Vora

Company Secretary - Ramesh 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 31 years.

Chairman's Statement

I am pleased to present the annual report for Scangroup Limited for the year ended 31 December 2008.



Company's Financial Performance

Our profit after tax went up by 29 % to Sh 316 million from Sh 244 million recorded in 2007. Profits before tax were also up by 24% to Sh 437 over 2007 figures of Sh 353 million.

These results have been achieved in a very challenging year both locally and also on the international market which saw global recession set in towards the end of 2008. The Board of Directors would like to commend our chief executive Mr. Bharat Thakrar, his management team and all staff of Scangroup for their dedication and commitment to the company in achieving these results. I would also like to thank our clients who have continued to support us and show faith in our service capability.

Strategic Investment by WPP Group

I am glad to report that during the year we successfully completed the transaction with WPP, who invested in the equity of the Company through their subsidiary company, taking a 27.5% shareholding in your Company. WPP is the world's largest communications services group. WPP group employs 135,000 people (including associates) in 2,400 offices in 107 countries.

As explained in the information circular sent to all shareholders in September 2008 giving details of the transaction, the investment is expected to create strong strategic value for both Scangroup and the WPP Group. In particular, the introduction of WPP as a strategic investor will provide us the following benefits:

- It provides us a second anchor shareholder other than the founder shareholder, Bharat Thakrar. One of your Board's key objectives as we transitioned from a private company to a public company was to have a succession plan for Scangroup that would ensure stability and continuation of the business in the long term. We believe that the investment by WPP will provide such continuity.
- The investment provides us the financial resources and through our affiliation with WPP operating companies, we will be able to tap into their technical resources to improve our service offerings to our clients.

The investment by WPP provides us the springboard to expand into the continent in line with our vision of being the leading marketing service company in Africa.

I also take this opportunity to welcome Mr. Andrew Scott and Mr. Christopher Sweetland who have been appointed to our Board by WPP, both of whom have significant experience with WPP group.

Mr. Scott is an acquisition specialist who is in charge of corporate development and WPP's global mergers and acquisition activities.

Mr. Sweetland is a chartered accountant and WPP's Deputy Group Chief Financial Officer.

Future Outlook

The global economic meltdown experienced since second half of 2008 is expected to continue to have impact in 2009 and beyond, and the effects on our markets are not yet clear. I however remain cautiously optimistic about the long term future for the Group.

In 2009 we shall continue to focus on our growth strategy, and though we are proceeding more cautiously, your Board is still convinced that growth into other markets of Africa is a good strategy that will eventually reduce our dependence on present markets for revenue growth.

In addition to our plans to expand across Africa, we are also expanding our product offering which management has identified as a key strategy. In this respect, our joint venture partnership in Millward Brown East Africa saw Scangroup venture into market research, is already showing considerable promise during their first full year of trading as an independent company. We are equally optimistic about our new joint venture with Hill & Knowlton formed in 2009 to offer services in the areas of Public Relations.

Employee Retention and Motivation

Scangroup's success is due to dedicated staff in our various agencies, and we have put in place a number of measures that we believe will help to maintain and improve the productivity of our staff.

We have successfully implemented the Employee Share Ownership Plan (ESOP) and staff who have shown initiative, drive and improved performance, have been rewarded with share options.

We have also established and implemented the Scangroup Provident Fund.

In order to improve our creative talent we instituted a Creative Staff Mentorship programme which has assisted in the development and promotion of significant numbers of indigenous creatives. Due credit here goes to our team of Creative Directors who continue to nurture the creative talent within the group.

Corporate Social Responsibility (CSR)

Scangroup has contributed to many charitable causes during 2008, and in particular, I would refer to the following initiatives:

We have been lending considerable support to Childlife Trust for over ten years now and last year was no exception. Childlife Trust is a charitable organization whose mission is to stimulate public awareness and involvement in creating sustainable solutions for children in need of special protection at an institutional level.

Scangroup contributes to the planning process of Childlife Trust Initiatives. We also donate all the advertising in the form of TV commercials, press ads, radio ads, brochures, posters, street banners and publicity for the Trust. During the past year we have produced communications for some key programmes including The Other Side of the Street exhibition and the Christmas Food Fund.

Our other most significant contribution in 2008 was for the "Concerned Citizens for Peace".

As the post-election countrywide violence escalated at the beginning of the year, we joined the team of concerned citizens including the Nation Media Group, KEPSA and other organisations. For nearly a month and half we produced, on a daily basis newspaper, television and radio communications that helped encourage the warring factions to embrace dialogue and to restore peace.

Over the coming years, we intend to commit more time and resources to support communication programmes that ensure that what happened in 2007 and 2008 never happens again.

Dividend

Your Board has recommended for approval at the Annual General Meeting (AGM), the payment of a first and final dividend totalling Sh 135.78 million for the year ended 31st December 2008 subject to withholding tax where applicable. The proposed dividend if approved by the shareholders at the AGM will be paid as follows -

	Dividend per share (Sh)	Total (Sh)
Dividend to all ordinary shareholders other than Cavendish Square Holding BV	0.75	120,000,000
Dividend to Cavendish Square Holding BV	0.26	15,779,310
Total		135,779,310

Acknowledgement

In conclusion, I would like to thank all our customers for their continued support; the management and staff of all the companies in the Group for their loyalty, dedication and hard work; and finally, to my fellow Directors, thank you for your support and advice.

David Hutchison

Chairman

15th April 2009

Chief Executive's Statement

Dear Shareholders,

Key Highlights

The disruptions following the disputed general elections in Kenya in December 2007 led to investor nervousness and a number of our clients cancelled media advertising booked for January 2008. However, following the formation of the Grand Coalition Government, recovery was rapid and by March 2008 we saw activity resume to normal.

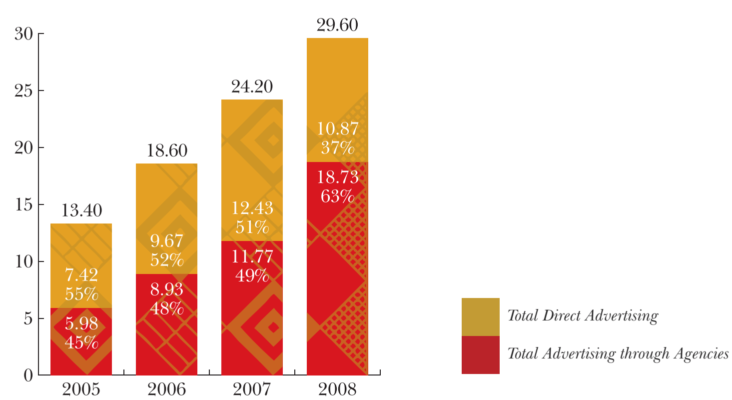
Despite the difficult conditions in the early part of 2008, we opened the doors of our market research business through Millward Brown East Africa Limited, a joint venture with a WPP Group company.

In October 2008, the shareholders gave their approval to the strategic investment of 27.5% shareholding in the Company by the WPP Group through their wholly owned subsidiary, Cavendish Square Holding BV.

Industry Performance

The year saw an overall growth of Advertising Exposure (Adex)* in Kenya as well as in Tanzania and Uganda. Advertising Exposure (Adex)* in East Africa, as measured by the Synovate Limited (formely the Steadman Group), grew by 22% over 2007 to Sh 29.60 billion whilst the agency share grew by 59% to Sh 18.73 billion.

East Africa - Advertising Exposure Market Share
Amounts in Sh in billions

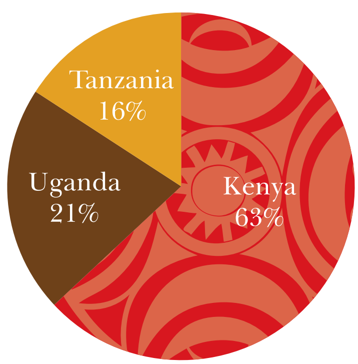


** Note for Adex data. Advertising Exposure is as measured by Synovate Limited (formely the Steadman Group). All advertising spots that appear in the monitored media are recorded in a data base and calculated at the gross rate card cost. The amounts generated are devoid of any discounts offered to clients 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 industry.*

Advertising and Media agencies booked 63% of this Exposure, whilst the balance was booked directly by the clients indicating that there are still many advertisers that do not use advertising or media agencies to plan or book their media.

In Kenya, the industry grew by 21% whilst Uganda and Tanzania recorded growth of 7% and 62% respectively. The Tanzania growth was attributed to the rebranding campaigns undertaken by two cellular operators in the country.

The Exposure market share by country for the year 2008 was as follows:

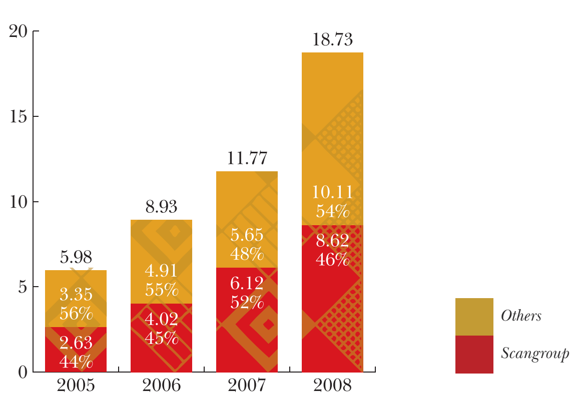


Radio continues to be the preferred medium of choice taking a 53% market share followed by Television at 28% and Print at 19%.

Scangroup's Market Share

The chart below shows Scangroup Market Share in East Africa as measured in terms of Advertising Exposure through agencies.

Amounts in Sh in billions



Our market share in East Africa for 2008 declined to 46% from 52% held in 2007. This was due to the entry and rebranding of cellular operators which meant that the overall Adex spend exceeded our own growth. Our market share in Kenya however remained in a dominant position of 53%.

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

Our Performance

Our Billings were up by 21% to over Sh 5.79 billion whilst Revenues were up by 24% to Sh 1.4 billion.

Kenya is still our dominant market and contributed to over 76% of the revenue, whilst Tanzania and Uganda contributed 14% and 10% respectively.

Profit before tax grew by 24% to Sh 437 million. Basic earnings per share also grew by 20% to Sh 1.79 per share, up from Sh 1.49 in 2007.

Advertising and Media contributed to 86% of our revenue and grew by 23% over 2007 whilst Speciality Communications contributed to 9% of our revenue and grew by 22% over 2007. Public Relations was 3% of our revenue and grew by 2% over 2007 and our share in the newly ventured research business contributed 2% of total revenue.

The investment by WPP Group has resulted in an increase in the shareholders' funds of the Company amounting to Sh 1.31 billion (net of expenses). This has contributed to the increase in net asset value per ordinary share, which has increased from Sh 3.77 per ordinary share at the end of 2007 to Sh 9.42 per ordinary share at December 2008.

The net proceeds from the issue of shares has been applied in reducing the bank borrowings and the balance will be used in furthering the Group's expansion plans.

Future Strategy

WPP Group has an extensive track record of expanding into developing markets and with our local knowledge and expertise, it provides a powerful combination for our future growth, which should lead to enhanced shareholder value.

Our strategy going forward will therefore capitalise on the benefits accruing from this relationship and will be focused on entering into several new areas of the marketing mix. These will be in the form of further strategic alliances with the WPP group companies that will bring key learning and expertise to enhance our existing businesses. The key areas we will be looking to will include:

1. Media Investment Management
2. Public Relations
3. Digital Media
4. Field Marketing
5. Branding

The WPP relationship will also enable us to enter into other markets with their brands. We continue to identify opportunities outside East Africa and will consider entering these markets as the economic conditions improve.

Other priority areas will be to focus on the management of working capital and improving our cash flows. We are in the process of setting up a separate commercial department that will ensure timely billing and manage receivables.

Our People

Creative Mentorship Program

During the year four senior creatives were promoted to Creative Director and Associate Creative Director positions. All the remaining eight mentorees continue to grow within the network and have been given additional responsibilities throughout the year. This year we are enrolling more creatives into the Mentorship Program. All new Creative Directors will also be given the role of training and mentoring the younger start up talent within their teams.

Staff Exchange Program

On the implementation of the Annual Performance Review for each employee we identified the need to expose our employees to different markets to enable them to grasp a better understanding of the advertising and marketing dynamics within East Africa and other markets in the Pan-African Region. An Exchange Program facility was created within the group where high potential staff are ‘flagged’ for growth in their careers and challenge as they progressed within the Organization. We are glad to announce that we have successfully posted 5 staff from our Kenya office to work for our Uganda and Tanzania offices. The same opportunity will be availed to staff in Uganda and Tanzania.

Scangroup Provident Fund

In our effort to ensure that the employees plan for their retirement period, we implemented the Scangroup Provident Funds under the umbrella scheme managed by Alexander Forbes for employees based in Kenya. The benefits under the scheme also include life insurance and critical medical & disability insurance. The Fund is managed as per the guidelines laid down by the Retirement Benefits Authority in Kenya.

Employee Share Ownership Plan (ESOP)

Our ESOP facility was set up in 2008 and during the year 8,146,470 options were granted to eligible employees in accordance with the terms of the ESOP rules. Under the ESOP rules, each option represents one ordinary share of the company and the exercise price for the options is equal to the market price at the date of the grant.

Employee Wellness & Welfare

Our Medical Cover was enhanced by securing improved benefits for all permanent employees in Scangroup.

Going Forward

We believe that the WPP relationship has charted the way forward for us and whilst keeping an eye on the impact of the global meltdown and its implications for us on the continent we will continue to move forward cautiously in achieving our vision to become the leading marketing services company in Africa.

Bharat Thakrar

Chief Executive Officer

15th April 2009

Corporate Governance

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 practices and endorse the internationally developed principles of good corporate governance. In particular the Company complies with the regulations on corporate governance as issued by the Capital Markets Authority.

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 seven members of the Board are independant non-executive directors including the Chairman of the Board. In addition, two non-executive directors are apointed by Cavendish Square Holding BV, a WPP group company. The directors representing Cavendish Square Holding BV shall not be required to retire by rotation in accordance with Article 93.

Mr Andrew Scott and Mr Chris Sweetland are the directors nominated by Cavendish Square Holding BV.

Board Committees

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

Audit and Risk Management Committee

The Audit and Risk Management committee meets four times a year and as necessary. Its membership includes three non-executive directors. The committee members are David Hutchison (Chairman), Richard Omwela, Christopher Sweetland 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 of David Hutchison, Muchiri Wahome, Andrew Scott and Bharat Thakrar.

The committee meets as required. The committee is responsible for monitoring and appraising the performance of senior management, 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 of David Hutchison, Richard Omwela, Andrew Scott and Bharat Thakrar.

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 covers systems for obtaining required approvals 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, behaviour 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 behaviour 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 2008

Category	Total number of shareholders	Total number of shares held	Shareholding % of issued share capital
Foreign Investors	332	77,143,585	34.96%
East African Individuals	33,892	95,268,674	43.17%
East African Institutions	2,047	48,277,396	21.87%
Total	36,271	220,689,655	100.00%

Range	Total number of members	Total number of shares	% of issued share capital
1 - 500	28,670	9,735,563	4.41%
501 - 5,000	6,628	10,058,013	4.56%
5,001 - 10,000	467	3,691,434	1.67%
10,001 - 100,000	450	10,166,540	4.61%
100,001 - 1,000,000	47	14,483,150	6.56%
Above 1,000,000	9	172,554,955	78.19%
Total	36,271	220,689,655	100.00%

TOP 10 INVESTORS AS AT 31ST DECEMBER 2008

Rank	Name	Total number of shares held	% of issued share capital
1	Cavendish Square Holding BV	60,689,655	27.50%
2	Bharat Thakrar	45,523,800	20.63%
3	Andrew John Laird White	26,340,000	11.94%
4	Bora Services Ltd.	19,301,500	8.75%
5	Barclays (Kenya) Nominees Ltd. non resident A/C 9300	9,580,100	4.34%
6	Barclays (Kenya) Nominees Ltd. non resident A/C 9296	5,863,300	2.66%
7	Barclays (Kenya) Nominees Ltd. A/C 9486	2,074,800	0.94%
8	Barclays (Kenya)Nominees Ltd. A/C 9230	1,857,700	0.84%
9	Kenya Commercial Bank Nominees Ltd. A/C 769	1,324,100	0.60%
10	Barclays (Kenya)Nominees Ltd. A/C 9187	922,600	0.42%
	Total	173,477,555	78.62%

Five Years Group Financial Review

ENDED 31ST DECEMBER 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	31-Dec 2008 Sh '000	31-Dec 2007 Sh '000	31-Dec 2006 Sh '000	31-Dec 2005 Sh '000 (Note 1)	31-Dec 2004 Sh '000 (Note 1)
Billings	5,789,716	4,773,411	3,012,461	2,343,628	1,936,769
Revenues	1,436,892	1,157,088	829,574	595,564	464,267
Profit Before Taxation	436,755	352,814	278,686	200,994	88,064
Taxation Charge	(120,966)	(108,381)	(83,158)	(52,802)	(22,719)
Profit After Tax	315,789	244,433	195,528	148,192	65,345
Minority interest	(8,767)	(7,133)	(9,128)	(4,686)	(955)
Profit Available to Scangroup shareholders	307,022	237,300	186,400	143,506	64,390
Earnings Per Share (EPS) (See Note 2 below) Sh	1.79	1.49	1.21	0.96	0.43
Number of shares	171.47 million	159.25 million	153.75 million	150 million	150 million

CONSOLIDATED BALANCE SHEET DATA

	31-Dec 2008 Sh '000	31-Dec 2007 Sh '000	31-Dec 2006 Sh '000	31-Dec 2005 Sh '000	31-Dec 2004 Sh '000
ASSETS					
Non Current Assets	180,133	141,757	47,505	39,130	34,187
Current Assets	3,580,931	1,611,878	1,190,461	982,433	605,296
Total Assets	3,761,064	1,753,635	1,237,966	1,021,563	639,483
Non Current Liabilities	4,065	3,481	88	990	400
Current Liabilities	1,677,535	1,146,493	766,955	779,965	536,891
Total Equity	2,079,464	603,661	470,923	240,608	102,192
Total Liabilities	3,761,064	1,753,635	1,237,966	1,021,563	639,483

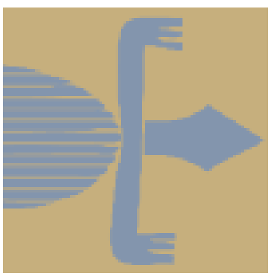
Note 1

For comparative purposes, prior years' numbers (year 2004 - year 2005) in the consolidated profit and loss account and the consolidated balance sheet have 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 EPS calculations for the year 2004 and 2005 are based on the assumption that the 150 million shares were in issue throughout the year and EPS for the year 2006 to 2008 is calculated using weighted average number of shares.

Corporate Information



DIRECTORS

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

* British
** Australian

SECRETARY

Ramesh R Vora
Certified Public Secretary (Kenya)
Elgeyo Marakwet Road
P.O. Box 48405 - 00100 Nairobi

REGISTERED OFFICE

The Chancery, 5th Floor
Valley Road
P.O. Box 34537 - 00100 Nairobi
Telephone +254 (20) 2710021, 2799000

AUDITORS

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

BANKERS

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

LAWYERS

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

SHARE REGISTRARS

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

SUBSIDIARY COMPANIES	ACTIVITIES
KENYA	
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.
Thompson Kenya Limited Nairobi Business Park Unit C, 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, public relations, activation and event management.
Grey East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency.
Redsky Limited Nairobi Business Park Unit C, P.O. Box 34537 - 00100 Nairobi	Advertising agency.
Media Compete East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Media Agency.
TANZANIA	
Lowe Scanad Tanzania Limited P.P.F Tower, 17th Floor Ohio street P.O. Box 78769 Dar es Salaam	Advertising agency and parent company for FCB Tanzania Limited.
FCB Tanzania Limited P.P.F Tower, 2nd Floor Ohio street P.O. Box 79356 Dar es Salaam	Advertising agency

UGANDA

Lowe Scanad Uganda Limited Murtala Courts, 3rd Floor Lumumba Avenue P.O. Box 7667 , Kampala	Advertising Agency

OUTSIDE EAST AFRICA

Scangroup Mauritius Holdings Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Investment Company & parent company of Scangroup(Mauritius)Limited
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
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	Media Agency
Scangroup Mozambique Limitada Predio 33 Andares 16 Andar Maputo, Mozambique	Media Agency
Scangroup West Africa Limited 48, Falolu Road Surulee, Lagos, Nigeria	Dormant

JOINT VENTURE

Millward Brown East Africa Limited Nairobi Business Park Ngong Road P.O. Box 43233 - 00100 Nairobi (Scangroup owns 49% of the issued share capital)	Advertising research

Report of the Directors

The directors present their report together with the group's audited financial statements for the year ended 31 December 2008.

ACTIVITIES

The principal activities of the group include 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

	Sh'000
Consolidated profit before taxation	436,755
Taxation charge	(120,966)
Profit for the year	315,789
Attributable to equity holders of the parent	307,022
Minority interest	8,767
	315,789

INVESTMENT BY CAVENDISH SQUARE HOLDING BV

On 24th October 2008, the shareholders of the Company gave their approval to the allotment and issue of 60,689,655 ordinary shares to Cavendish Square Holding BV ("Investor"), a WPP group company.

The investment in the shareholding of 60,689,655 by the Investor in the Company was made on the following terms:

a) That the Investor will not dispose of its holding of the shares before 31 March 2012, except as may be approved and authorised by the Board; and

b) That the Investor will not be entitled to participate in any dividend in respect of the period up to 30 September 2008, which shall not exceed an amount equivalent to 50% of the distributable profits after provision for tax for that period.

DIVIDENDS

The directors propose a first and final dividend totalling Sh 135,779,310 to be paid as follows:

a) A dividend of Sh 0.75 per each ordinary share to all ordinary shareholders, other than Cavendish Square Holding BV, holding 160,000,000 ordinary shares; and

b) A dividend of Sh 0.26 per ordinary share to Cavendish Square Holding BV holding 60,689,655 ordinary shares.

The payment of dividends is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 29 May 2009. Dividend payment will be subject to withholding tax, where applicable.

DIRECTORS

The current members of the Board of Directors are as shown on page 18. Andrew Scott and Christopher Sweetland were appointed on 24 October 2008.

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

R.R. Vora
Company Secretary
15 April 2009
Nairobi, Kenya

Statement of Director's Responsibilities

The Kenyan 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 company and its subsidiaries 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 and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 Kenyan 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 subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

Richard Omwela
Director

Bharat Thakrar
Director

15 April 2009

Independent Auditors' Report to the Members of Scangroup Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Scangroup Limited and its subsidiaries, set out on pages 25 to 48 which comprise the group and parent company balance sheets as at 31 December 2008, and the group income statement, group and parent company statements of changes in equity and group cash flow statement 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 the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 the audit to obtain reasonable assurance whether 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 our 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, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. 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 audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company and of its subsidiaries as at 31 December 2008 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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:

(a) 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;

(b) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

(c) the company's balance sheet is in agreement with the books of account.

Deloitte & Touche
Certified Public Accountants (Kenya)
15 April 2009
Nairobi, Kenya

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 Sh'000	2007 Sh'000
BILLINGS	4	5,789,716	4,773,411
DIRECT COSTS		(4,352,824)	(3,616,323)
REVENUE		1,436,892	1,157,088
OTHER INCOME		4,150	3,474
ADMINISTRATION EXPENSES		(907,165)	(709,168)
OPERATING EXPENSES		(91,469)	(81,002)
INTEREST INCOME		14,281	-
FINANCE COSTS	5	(19,934)	(17,578)
PROFIT BEFORE TAXATION	6	436,755	352,814
TAXATION CHARGE	8(a)	(120,966)	(108,381)
PROFIT FOR THE YEAR	9	315,789	244,433
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		307,022	237,300
MINORITY INTEREST	21	8,767	7,133
		315,789	244,433
BASIC EARNINGS PER SHARE (Sh)	10	1.79	1.49
DILUTED EARNINGS PER SHARE (Sh)	10	1.79	1.49
FIRST AND FINAL DIVIDEND PER SHARE (PROPOSED)			
- Dividend to all ordinary shareholders, Other than Cavendish Square Holding BV holding 160,000,000 ordinary shares (Sh)	11	0.75	0.90
- Dividend to Cavendish Square Holding BV holding 60,689,655 ordinary shares (Sh)	11	0.26	-

Consolidated Balance Sheet

AS AT 31 DECEMBER 2008

	Notes	2008 Sh'000	2007 Sh'000
ASSETS			
Non current assets			
Equipment	12(a)	96,585	60,723
Deferred tax asset	14	-	3,583
Goodwill	15	83,548	77,451
		180,133	141,757
Current assets			
Trade and other receivables	16	2,365,622	1,553,548
Due from related parties	17	6,218	-
Work-in-progress	18	52,370	25,225
Taxation recoverable	8(c)	46,065	11,300
Short-term deposits	19	949,281	-
Cash and bank balances	25(b)	161,375	21,805
		3,580,931	1,611,878
Total assets		3,761,064	1,753,635
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	220,690	160,000
Share premium account		1,328,105	77,878
Revenue reserve		512,287	349,658
Equity attributable to equity holders of the parent		2,061,082	587,536
Minority interest	21	18,382	16,125
Total equity		2,079,464	603,661
Non current liabilities			
Deferred tax liability	14	119	-
Finance leases	22	3,946	3,481
		4,065	3,481
Current liabilities			
Due to related parties	17	8,983	-
Finance leases	22	1,760	1,347
Bank overdraft	23	145,965	-
Trade and other payables	24	1,516,330	1,140,305
Unclaimed dividends		4,497	4,841
		1,677,535	1,146,493
Total equity and liabilities		3,761,064	1,753,635

The financial statements on pages 25 to 48 were approved by the Board of Directors on 15 April 2009 and were signed on its behalf by:

Richard Omwela
Director

Bharat Thakrar
Director

AS AT 31 DECEMBER 2008

	Notes	2008 Sh'000	2007 Sh'000
ASSETS			
Non current assets			
Equipment	12(b)	21,333	7,261
Investment in subsidiaries	13(a)	189,266	183,089
Investment in joint venture	13(b)	6,125	-
Long term loan	13(b)	8,575	-
Deferred tax asset	14	1,026	341
		226,325	190,691
Current assets			
Trade and other receivables	16	633,144	337,452
Due from related companies	17	574,305	262,688
Work in progress	18	23,830	7,144
Taxation recoverable	8(c)	2,189	23,171
Short-term deposits	19	949,281	-
Cash and bank balances		16,734	78,858
		2,199,483	709,313
Total assets		2,425,808	900,004
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	220,690	160,000
Share premium account		1,328,105	77,878
Revenue reserve		202,443	207,269
Shareholders' funds		1,751,238	445,147
Non current liabilities			
Finance leases	22	1,636	-
Current liabilities			
Due to related parties	17	42,310	3,833
Finance leases	22	588	-
Bank overdraft	23	13,994	-
Trade and other payables	24	611,545	446,183
Unclaimed dividends		4,497	4,841
		672,934	454,857
Total equity and liabilities		2,425,808	900,004

The financial statements on pages 25 to 48 were approved by the Board of Directors on 15 April 2009 and were signed on its behalf by:

Richard Omwela
Director

Bharat Thakrar
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2008

	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
Year Ended 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 year	-	-	237,300	237,300	7,133	244,433
Final dividend paid - 2006	-	-	(127,200)	(127,200)	(3,127)	(130,327)
At 31 December 2007	160,000	77,878	349,658	587,536	16,125	603,661
Year Ended 31 December 2008						
At 1 January 2008	160,000	77,878	349,658	587,536	16,125	603,661
New shares issued (note 20) **	60,690	1,250,227	-	1,310,917	-	1,310,917
Translation adjustment *	-	-	(393)	(393)	-	(393)
Profit for the year	-	-	307,022	307,022	8,767	315,789
Final dividend paid - 2007	-	-	(144,000)	(144,000)	-	(144,000)
Interim dividend paid	-	-	-	-	(6,510)	(6,510)
At 31 December 2008	220,690	1,328,105	512,287	2,061,082	18,382	2,079,464

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

**The company allotted and issued 60,689,655 (2007-1,000,000) ordinary shares of Sh 1 each at a price of Sh 22 per share in October 2008 and expenses relating to the issue were offset from the share premium.

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital Sh'000	Share premium account Sh'000	Revenue reserve Sh'000	Total Sh'000
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 year	-	-	187,445	187,445
Final dividend paid - 2006	-	-	(127,200)	(127,200)
At 31 December 2007	160,000	77,878	207,269	445,147
Year Ended 31 December 2008				
At 1 January 2008	160,000	77,878	207,269	445,147
New shares issued (note 20)*	60,690	1,250,227	-	1,310,917
Profit for the year	-	-	139,174	139,174
Final dividend paid - 2007	-	-	(144,000)	(144,000)
At 31 December 2008	220,690	1,328,105	202,443	1,751,238

* The company allotted and issued 60,689,655 (2007-1,000,000) ordinary shares of Sh 1 each at a price of Sh 22 per share in October 2008 and expenses relating to the issue were offset from the share premium.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 Sh'000	2007 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	25(a)	4,478	165,604
Taxation paid	8(c)	(152,281)	(103,038)
Net cash (used in)/ generated from operating activities		(147,803)	62,566
INVESTING ACTIVITIES			
Purchase of equipment	25(c)	(58,187)	(21,041)
Proceeds on sale of equipment		50	-
Acquisition of subsidiary	15	(6,097)	(53,701)
Net cash used in investing activities		(64,234)	(74,742)
FINANCING ACTIVITIES			
Issue of new shares		1,310,917	-
Dividends paid to equity holders of the parent		(144,344)	(122,359)
Dividends paid to monority shareholders of a subsidiary		(6,510)	(3,127)
Hire purchase loans repaid	22	(1,739)	(1,045)
Net cash generated from /(used in) financing activities		1,158,324	(126,531)
Increase/ (decrease) in cash and cash equivalents		946,287	(138,707)
Movement in Cash and Cash Equivalents			
As at beginning 1st January 2008		21,805	163,092
Increase/ (decrease) during the year		946,287	(138,707)
Acquired on acquisition of subsidiary		-	(502)
Effect of fluctuations in exchange rates		(3,401)	(2,078)
Cash and cash equivalents at end of the year	25(b)	964,691	21,805

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

Statement of compliance
The financial statements are prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised standards
Standards and interpretations effective in the current period

The following new interpretations issued by the International Financial Reporting Interpretations Committee and revised standard are effective in the current period:

- IFRIC 12, Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008);
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2008);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).

These interpretations are not applicable to the group's accounting policies, hence not adopted.

New and revised standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 1, First-Time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 3, Business Combinations - Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009)
- IAS 31, Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 32, Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)
- Amendments to IFRS 2 Vesting conditions and cancellations (effective for accounting periods on or after 1 January 2009)
- IFRS 7, Financial instruments-Improving disclosures about financial instruments (effective for accounting periods on or after 1 January 2009)
- IAS 1(Revised), Presentation of financial instruments (effective for accounting periods on or after 1 January 2009)
- IAS 23 (revised), Borrowing costs (effective for accounting periods on or after 1 January 2009)
- IAS 32, Financial instruments (effective for accounting periods beginning on or after 1 July 2009)
- IFRIC 18,Transfers of assets from customers (effective for accounting periods beginning on or after 1 July 2009).

IAS 1 (Revised) introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a group's equity resulting from transactions with owners separately from non-owner changes. The revised standard provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements. The directors do not currently believe the adoption of this revised standard will have a material impact on the results or financial position of the group.

The directors anticipate that the adoption of the other standards and interpretations and amendments to other IFRSs resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2008, when effective, will have no material impact on the financial statements of the group.

Basis of preparation
The financial statements have been prepared under 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:
(i) Subsidiaries
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.

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 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.

(ii) Joint venture
A jointly controlled entity is a joint venture that involves the establishment of a corporation in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The entity recognises its interest in a jointly controlled entity using proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Groups' financial statement. The entity's share of intercompany transactions, balances and unrealised surpluses and deficits on transactions with the joint venture have been eliminated.

The consolidated financial statements incorporate the financial statements of the company, 49% share of the joint venture's income and expenses, assets and liabilities and its subsidiaries that are listed under note 13 of these financial statements, which have been prepared to 31 December 2008.

Revenue recognition
Revenue is recognised on an accruals basis and is stated net of Value Added Tax.

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 recognised 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 contractual value.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, fixed deposits and deposits held at call with banks are highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortised value.

Bank borrowings
Bank borrowings are measured at amortised cost.

Investment in subsidiaries
Investment in subsidiaries is stated at cost less any 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 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 started operating a defined contribution scheme in Kenya this year for its eligible employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employee and the company.

The Group also contributes to the statutory defined contribution pension schemes, the National Social Security Fund, in the three East African countries namely Kenya, Tanzania and Uganda. Contribution are determined by local statutes and are currently at Sh 200 per employee per month in Kenya, 10% of the basic pay per month per employee in Uganda and 10% of the basic pay per month per employee in Tanzania.

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. As per the company policy leave expires as at 31 December of each year hence no provision is made.

Employee share ownership scheme
The Group has established an Employee Share Ownership Scheme (ESOP) under a Trust Deed. Under the scheme, the Trustees in accordance with directions received from the company offer eligible employees options to purchase shares in accordance with the terms of the ESOP Rules. The shareholders have given approval 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. The company accrues for employee benefits when the option price is below the market price. The additional share capital is recognised when the employees exercise their right and have made payment towards share subscription.

2. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity'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 Group reviews its obligations at 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 with an aim to:

- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- allocate capital efficiently to support growth;
- safeguard company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- provide an adequate return to shareholders by pricing advertising services commensurately with the level of risk.

An important aspect of the Group's overall capital management process is the setting of a target risk- adjusted rate of return which is aligned to performance objectives and ensures that the Group is focused on the creation of value for shareholders.

The Group has number of sources of capital available to it and seeks to optimise its equity/debt structure in order to ensure that it can consistently maximize returns to shareholders.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 22 and 23, issued capital and revenue reserves.

Gearing ratio

The gearing ratio at the year end was as follows:

	2008 Sh'000	2007 Sh'000
Share capital	220,690	160,000
Share premium	1,328,105	77,878
Revenue reserves	512,287	349,658
	2,061,082	587,536
Minority interest	18,382	16,125
Total equity	2,079,464	603,661
Cash and cash equivalents	1,110,656	21,805
Less: Borrowings	(151,671)	(4,828)
Net cash and cash equivalents	958,985	16,977
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. 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.

(i) 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 prevailing economic environment.

The management assesses the creditworthiness of all clients by reviewing credit grades provided by rating agencies or other publicly available financial information. The recent payment history of the client is used to review the maximum credit limits.

The exposure to individual client is also managed through other mechanisms such as the right to offset where clients are both debtors and creditors of the company.

The credit risk on trade receivables is limited because the customers are known customers with high credit ratings.

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

The amount that best represents the Group's maximum exposure to credit as at 31 December 2008 is made up as follows:

31 December 2008	Fully performing Sh'000	Past due Sh'000	Total Sh'000
Cash and cash equivalents	1,108,656	-	1,108,656
Trade Receivables	1,636,033	501,402	2,137,435
	2,744,689	501,402	3,246,091
31 December 2007			
Cash and cash equivalents	19,805	-	19,805
Trade Receivables	1,247,187	167,251	1,414,438
	1,266,992	167,251	1,434,243

Trade receivables that are past due are not impaired. Out of the total past due amount of Sh('000) 501,402 a sum of Sh ('000) 211,642 has been settled subsequently since the Balance Sheet date (non-payment within the stipulated period under the contracts will result in agreed discounts not being refunded to the respective clients). The credit control department is actively following the debts which are past due.

(ii) Liquidity risk management

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. The primary liquidity risk of the Group is the obligation to pay its creditors as they fall due. Management has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. Included in note 23 are details of additional bank 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.

As at 31 December 2008	Less than 1 month Sh'000	Between 1-3 months Sh'000	Over 3 months Sh'000	Total Sh'000
Borrowings - bank overdraft	145,965	-	-	145,965
Finance lease	198	397	5,111	5,706
Trade payables	819,243	654,710	-	1,473,953
	965,406	655,107	5,111	1,625,624
As at 31 December 2007				
Finance lease	156	312	4,360	4,828
Trade payables	699,466	281,951	121,909	1,103,326
	699,622	282,263	126,269	1,108,154

(iii) Market and currency risk

Interest rate risk
Interest rate risk arises primarily from investment in fixed interest securities. On the other hand the Group has interest cost exposure as well since the Board has given fixed amount of money to the management for working capital purposes and the Group uses the overdraft facility in place to meet with short term contingencies resulting in exposure from the movements in interest rates. The potential impact of 1% increase or decrease in the interest on the profitability of the company is shown below:

	Effect on Profitability Increase / (Decrease)	
	2008 Sh'000	2007 Sh'000
Bank Overdraft		
1% increase in Interest Rates	(2,467)	(421)
1% decrease in Interest Rates	2,467	421
Fixed Deposits		
1% increase in Interest Rates	1,586	-
1% decrease in Interest Rates	(1,586)	-

Foreign currency risk
The Group's operations are predominantly in Kenya where the currency has been fluctuating against the major convertible currencies. A portion of the Group's purchases and sales are denominated in foreign currencies principally in the, US dollars. The Group does not hedge its foreign currency risk. A 5% depreciation/appreciation of the kenyan shilling against the major currencies during the year would have resulted in a increase/decrease in profit before tax by approximately Sh 620,550
(2007: Sh 590,200)

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

4. BILLING ANALYSIS

The Group's billings are derived from sales in the following markets:

	2008 Sh'000	2007 Sh'000
Kenya	4,318,978	3,570,772
Uganda	739,248	485,187
Tanzania	721,776	717,452
Outside East Africa	9,714	-
	5,789,716	4,773,411

5. FINANCE COSTS

	2008 Sh'000	2007 Sh'000
Net interest payable	(25,013)	(5,774)
Exchange gain / (loss)	5,079	(11,804)
	(19,934)	(17,578)

6. PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

	2008 Sh'000	2007 Sh'000
Staff costs (note 7)	737,698	560,854
Auditors' remuneration	7,539	6,390
Operating lease rentals	41,345	33,563
Depreciation	27,917	18,721
Loss on write off of equipment	185	-
Directors' remuneration		
- Fees to non-executive directors	1,790	1,360
- Other emoluments to executive directors	56,190	45,384

7. STAFF COSTS

	2008 Sh'000	2007 Sh'000
Salaries and wages	699,498	536,207
Social security costs (NSSF)	19,253	12,590
Contribution to provident fund scheme	4,394	-
Others	14,553	12,057
	737,698	560,854

8. TAXATION

	2008 Sh'000	2007 Sh'000
(a) Tax expense		
Current taxation based on the adjusted profit		
For company at 20% (2007:20%)	30,021	9,378
For subsidiaries at 30% (2007:30%)	89,415	102,165
	119,436	111,543
Deferred taxation charge/(credit) (note 14)		
- current year	1,476	(3,162)
- prior year under provision	54	-
	1,530	(3,162)
	120,966	108,381

Notes to Taxation continued

	2008 Sh'000	2007 Sh'000
(b) Reconciliation of expected tax based on accounting profit to tax expense		
Accounting profit before taxation	436,755	352,814
Tax at the applicable rate of 30% (2007:30%)	131,027	105,844
Tax effect of expenses not deductible for tax purposes	7,243	5,620
Tax effect of holding company being charged at 20% (2007:20%)	(14,317)	(4,666)
Withholding tax on dividend received from foreign subsidiary	-	1,583
Tax effect of income not subject to tax	(3,041)	-
Prior year under provision	54	-
	120,966	108,381

(c) Tax movement

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
At beginning of year-recoverable	11,300	20,136	23,171	28,002
Acquired on purchase of subsidiaries	-	(331)	-	-
Taxation paid	152,281	103,038	8,354	4,547
Income statement charge	(119,436)	(111,543)	(29,336)	(9,378)
Translation difference	1,920	-	-	-
	46,065	11,300	2,189	23,171
Analysis of taxation recoverable				
Taxation recoverable	58,958	24,592	2,189	23,171
Taxation payable	(12,893)	(13,292)	-	-
	46,065	11,300	2,189	23,171

9. PROFIT FOR THE YEAR

The profit after taxation of Sh 139,174,000 (2007- Sh 187,445,000) has been dealt with in the separate financial statements of the holding company.

10. EARNINGS PER SHARE

(i) Basic earning per share:

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

	2008	2007
Profit attributable to equity holders of the parent (Sh'000)	307,022	237,300
Weighted average number of shares (in thousands)	171,473	159,250
Basic earnings per share (Sh)	1.79	1.49

(ii) Diluted earning per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
(a) Profit used to determine diluted earning per share (Sh'000)	307,022	237,300
(b) Weighted average number of shares in issue (in thousands)	171,473	159,250
(c) Weighted average number of shares under option as at year end (in thousands)	4,553	-
(d) Weighted average number of shares that would have been issued at average market price (in thousands)	4,862	-
(e) Diluted earning per share (Sh)*	1.79	1.49

* (e) = (a) divided by (b + c – d)

11. DIVIDENDS

The investment in the shareholding of 60,689,655 ordinary shares by Cavendish Square Holding BV ('the Investor' - see note 20) in the Company was made on following terms:

a) That the Investor will not dispose of its holding of the shares before 31st March 2012, except as may be approved and authorised by the Board; and

b) That the Investor will not be entitled to participate in any dividend in respect of the period up to 30th September 2008, which shall not exceed an amount equivalent to 50% of the distributable profits after provision for tax for that period.

Accordingly the directors propose a first and final dividend totalling Sh 135,779,310 to be paid as follows:

	2008	2007
Dividend to all ordinary shareholders other than Cavendish Square Holding BV holding 160,000,000 ordinary shares (Sh)	0.75	0.90
Dividend to Cavendish Square Holding BV holding 60,689,655 ordinary shares (Sh)	0.26	-

The payment of 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 29 May 2009. 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 2007	32,991	21,674	33,230	87,895
Acquired on purchase of subsidiaries	5,814	2,640	5,458	13,912
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
At 1 January 2008	45,341	29,339	40,354	115,034
Additions	29,333	5,088	26,383	60,804
Write offs	(2,311)	-	-	(2,311)
Exchange rate adjustment	6,746	5,356	5,005	17,107
At 31 December 2008	79,109	39,783	71,742	190,634
DEPRECIATION				
At 1 January 2007	11,759	12,530	16,190	40,479
Acquired on purchase of subsidiaries	3,220	1,307	1,379	5,906
Charge for the year	9,071	6,259	3,391	18,721
Eliminated on disposals	-	(4,203)	-	(4,203)
Exchange rate adjustment	(2,515)	(2,075)	(2,002)	(6,592)
At 31 December 2007	21,535	13,818	18,958	54,311
At 1 January 2008	21,535	13,818	18,958	54,311
Charge for the year	14,134	7,357	6,426	27,917
Eliminated on write offs	(2,076)	-	-	(2,076)
Exchange rate adjustment	11,104	780	2,013	13,897
At 31 December 2008	44,697	21,955	27,397	94,049
NET BOOK VALUE				
At 31 December 2008	34,412	17,828	44,345	96,585
At 31 December 2007	23,806	15,521	21,396	60,723

Included in motor vehicles is a vehicle with a book value of Sh 3,693,000 (2007: Sh 3,897,564) 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. Adequate provision has been made under creditors for this legal dispute.

Motor vehicles also include vehicles with a net book value of Sh 6,171,253 (2007: Sh 4,956,788) that are subject to hire purchase financing.

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 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
At 1 January 2008	3,314	5,852	3,872	13,038
Additions	17,754	3,272	1,158	22,184
Write off	(261)	-	-	(261)
At 31 December 2008	20,807	9,124	5,030	34,961
DEPRECIATION				
At 1 January 2007	698	1,721	1,630	4,049
Charge for the year	785	958	280	2,023
Eliminated on disposals	-	(295)	-	(295)
At 31 December 2007	1,483	2,384	1,910	5,777
At 1 January 2008	1,483	2,384	1,910	5,777
Charge for the year	5,806	1,797	488	8,091
Eliminated on disposals	(240)	-	-	(240)
At 31 December 2008	7,049	4,181	2,398	13,628
NET BOOK VALUE				
At 31 December 2008	13,758	4,943	2,632	21,333
At 31 December 2007	1,831	3,468	1,962	7,261

Included in the motor vehicles is a vehicle with a net book value of Sh 2,453,663 (2007; nil) which is subject to hire purchase financing.

13(a). INVESTMENT IN SUBSIDIARIES, AT COST

	2008 Sh'000	2007 Sh'000
Lowe Scanad Kenya Limited (100% owned)	40,000	40,000
Thompson Kenya Limited (90% owned)	18,000	18,000
Lowe Scanad East Africa Limited (100% owned)	31,500	31,500
Redsky Limited (100% owned)	84,542	78,445
Media Compete East Africa Limited (100% owned)	40	-
Grey East Africa Limited (100% owned)	40	-
McCann Kenya Limited (100% owned)	15,000	15,000
Scangroup Mauritius Holding Limited (100% owned)	144	144
	189,266	183,089

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 %	
	2008	2007
Lowe Scanad Uganda Limited	100%	100%
Lowe Scanad Tanzania Limited	82%	82%
Roundtrip Limited	100%	100%
FCB Tanzania Limited (subsidiary of Lowe Scanad Tanzania Limited)	82%	82%

Scangroup Mauritius Limited (a wholly owned subsidiary of Scangroup Mauritius Holding Limited) is the holding company of the other subsidiaries incorporated outside East Africa as follows:

	Shareholding %	
	2008	2007
Scangroup (Malawi) Limited	100%	100%
Scangroup (Zambia) Limited	100%	100%
Scangroup Mozambique Limitada	100%	100%
Scangroup West Africa Limited	75%	75%

13 (b). INVESTMENT IN JOINT VENTURE

(i) The Group has the following investment and interest in a joint venture, Millward Brown East Africa Limited, which is jointly controlled with the other shareholder Russel Square Holding BV.

The company's investment in the joint venture comprises:

	2008	2007
	Sh'000	Sh'000
Investment in joint venture at cost	6,125	-
Loan	8,575	-
Total	14,700	-

(ii) The following amounts are included in the group's consolidated financial statements as a result of the proportionate (49%) consolidation of Millward Brown East Africa Ltd.

Balance Sheet items	2008 Sh'000	2007 Sh'000
Current assets	24,812	-
Non-current assets	6,069	-
Current Liabilities	18,589	-
Profit and loss items		
Income	28,527	-
Expenses	30,933	-

14. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using the currently enacted tax rate of 30%. The net deferred taxation asset is attributable to the following items:

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Accelerated (capital allowances)/depreciation	(790)	2,288	326	281
Unrealised exchange losses	(939)	1,295	700	60
Carried forward tax losses	1,025	-	-	-
Provisions	585	-	-	-
	(119)	3,583	1,026	341

The movement on the deferred tax account is as follows:

At beginning of period - Asset	3,583	89	341	385
Income statement (charge)/credit - (note 8)	(1,530)	3,162	685	(44)
Effect of exchange rates	(2,172)	332	-	-
At end of period - (Liability) / Asset	(119)	3,583	1,026	341

15. GOODWILL

Analysis of assets and liabilities acquired in 2007 relating to the acquisition of shareholding in Redsky Limited:

	Sh'000
Current assets	
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	-
Initial purchase consideration	77,451
Additional payments in the year	6,097
Goodwill on acquisition	83,548
Amount at 31 December 2007	77,451

During the year the company completed the acquisition of 100% shareholding in Redsky Limited.

Since its acquisition, Redsky Limited has continued making profits and future projections indicate that the company will continue on the profitability path. Though part of the Redsky Kenya Limited business was transferred to the holding company during the year, the directors are of the opinion that goodwill is not impaired.

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Trade	2,137,435	1,414,438	554,802	315,132
VAT Recoverable	193,428	120,363	72,222	22,320
Other receivables and prepayments	34,759	18,747	6,120	-
	2,365,622	1,553,548	633,144	337,452

17. RELATED PARTY BALANCES AND 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.

Related parties balances at the group level relates to the holding company's 49% share of amounts due to or due from companies related to the joint venture Millward Brown East Africa Limited, that have not been eliminated on consolidation.

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Due from related companies				
Due from Subsidiaries	-	-	574,305	262,688
Due from affiliates of Joint Venture	6,218	-	-	-
	6,218	-	574,305	262,688
Due to related companies				
Due to Subsidiaries	-	-	42,310	3,833
Due to affiliates of Joint Venture	8,983	-	-	-
	8,983	-	42,310	3,833
The following transactions were carried out with related companies:				
Sale of services	559	-	341,775	291,557
Purchase of services	985	-	60,616	-

Remuneration of Directors and key management compensation

	2008 Sh'000	2007 Sh'000
The remuneration of directors and other members of key management during the period were as follows:		
Salaries and other benefits	268,019	191,515
Director's remuneration (included in key management compensation above)		
Fees for services as directors: non executive directors	1,790	1,360
Other emoluments to executive directors	56,190	45,384
	57,980	46,744

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

	2008 Sh'000	2007 Sh'000
Fixed deposits with banks	802,557	-
Call deposits with banks	146,724	-
	949,281	-

The term deposits are for a duration of 3 months.

The average rate of interest earned on the fixed deposits in 2008 was 9 % while the average interest rate on the call deposits was 7%.

20. SHARE CAPITAL

	2008 Sh'000	2007 Sh'000
Authorised share capital:		
Ordinary shares 240,690,000 of Sh 1 each (2007:180,000,000)	240,690	180,000
Issued and fully paid share capital:		
Ordinary shares 220,689,655 of Sh 1 each (December 2007-160,000,000 ordinary shares of Sh 1 each)	220,690	160,000

	2008		2007	
	Number of shares	Sh'000	Number of shares	Sh'000
At beginning of year	160,000	160,000	159,000	159,000
New share issue	60,690	60,690	1,000	1,000
At end of year	220,690	220,690	160,000	160,000

On 24th October 2008, the Shareholders of the Company gave their approval to the allotment and issue of 60,689,655 ordinary shares to Cavendish Square Holding BV, a WPP group company.

SHARE OPTIONS

The company has established an 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 employees options to purchase shares in accordance with the terms of the ESOP Rules.

The shareholders have given 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.

Under the ESOP rules, the exercise price for the options is equal to the market price at the date of the grant.

During the year, options were granted based on individual performance. Share Option units outstanding at the end of the year amounted to 8,146,470 with the following expiry dates and exercise price. Each Share Option unit represents one ordinary share.

Number of Options	Exercise Price	Expiry Date
3,411,100	32.25	12-Jun-10
503,000	32.50	12-Jun-10
540,600	32.75	12-Jun-10
400,700	33.00	12-Jun-10
3,291,070	30.25	31-May-11
8,146,470		

21. MINORITY INTEREST - GROUP

	2008 Sh'000	2007 Sh'000
At 1 January	16,125	12,119
Share of profit for the year	8,767	7,133
Dividend paid	(6,510)	(3,127)
At 31 December	18,382	16,125

22. FINANCE LEASES

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Minimum lease payments				
Payable within one year	2,384	1,867	843	-
Payable after one year but within five years	6,052	4,112	1,896	-
	8,436	5,979	2,739	-
Future finance charges	(2,730)	(1,151)	(515)	-
	5,706	4,828	2,224	-
Present value of minimum lease payments				
Payable within one year	1,760	1,347	588	-
Payable in the second to fifth year	3,946	3,481	1,636	-
	5,706	4,828	2,224	-

The average finance lease period is 4 years. The weighted average effective interest rate during the year was 14% (2007: 14%).

The finance leases are secured by motor vehicles.

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
At the beginning of the year	4,828	1,039	-	-
New financing received	2,617	4,834	2,617	-
Repaid during the year	(1,739)	(1,045)	(393)	-
	5,706	4,828	2,224	-

23. BANK OVERDRAFT

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
CFC Stanbic Bank Limited	145,965	-	13,994	-

The group has an overdraft and hire purchase finance facilities with CFC Stanbic Bank Limited to the limit of Sh 225 million and the other non-fund facilities of Sh 15 million. Details of securities for the facilities are as follows:

(i) A joint and several debenture over all the present and future moveable and immovable assets of Scangroup Limited and all the subsidiaries in Kenya for an amount of Sh 240 million.

(ii) Cross corporate guarantees and indemnities by Scangroup Limited and its subsidiaries in Kenya for an amount of Sh 240 million.

(iii) Right of set-off.

The effective interest rate on the bank overdraft as at 31 December 2008 was 11.62% (2007 - 13%).

24. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Trade payables and accruals	1,473,953	1,103,326	605,036	443,481
Other payables	42,377	36,979	6,509	2,702
	1,516,330	1,140,305	611,545	446,183

25. NOTES TO THE CASH FLOW STATEMENT

	2008 Sh'000	2007 Sh'000
(a) Reconciliation of operating profit to cash generated from operations		
Profit before taxation	436,755	352,814
Depreciation	27,917	18,721
Loss on disposal of equipment	235	-
Exchange rate adjustment for opening reserves	-	(8,692)
Operating profit before working capital changes	464,907	362,843
Increase in trade and other receivables	(812,074)	(578,339)
(Increase)/decrease in work-in-progress	(27,145)	6,799
Increase in trade and other payables	376,025	390,985
(Increase)/decrease in amounts due to directors	-	(16,684)
Movements in related party balances	2,765	-
Cash generated from operations	4,478	165,604

(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	2008 Sh'000	2007 Sh'000
Cash and bank balances	161,375	21,805
Short-term deposits (Note 19)	949,281	-
Bank overdraft (Note 23)	(145,965)	-
	964,691	21,805

Notes to the Cash Flow Statement continued

	2008 Sh'000	2007 Sh'000
(c) Analysis of equipment additions (Note 12(a))		
Acquired in cash	58,187	21,041
Acquired through hire purchase financing	2,617	4,834
	60,804	25,875

26. RETIREMENT BENEFIT OBLIGATIONS

The group makes contributions to a defined contribution scheme in Kenya and statutory defined contribution schemes to the National Social Security Fund in the three East African countries. Contributions to the group plan are determined by the rules of the plan and totalled Sh 4,394,000 (2007 - nil) in the year. Contributions to the statutory schemes are determined by local statutes and are currently Sh 200 per employee in Kenya, 10% of the basic pay per employee in Uganda and 10% of basic pay per employee in Tanzania. For the year ended 31 December 2008, the group contributed Sh 19,253,000 (2007 - Sh 12,590,000) to the statutory schemes.

27. OPERATING LEASE COMMITMENTS

The total future minimum lease payments due to third parties under non-cancellable operating leases for premises are as follows:

	2008 Sh'000	2007 Sh'000
Within 1 year	47,776	39,472
Within 2 to 3 years	156,101	95,929
	203,877	135,401

28. CONTINGENT LIABILITIES

	2008 Sh'000	2007 Sh'000
Pending claims	8,010	9,681

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 in thousands (Sh'000).