Scangroup
Annual report &
accounts 2009

AFRICA RISING

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

Our Mission is "To add outstanding value to our clients and shareholders and have fun doing it"

Scangroup Annual report & accounts 2009

Scangroup

Notice of the Annual General Meeting 2010

NOTICE OF THE ANNUAL GENERAL MEETING 2010

Notice is hereby given that the 2010 Annual General Meeting of Scangroup Limited will be held at the Bomas of Kenya, Langata Road, Nairobi on Tuesday 29th June 2010 at 11.00 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 2009 together with the Reports thereon of the Directors and Auditors.
3. To approve the payment of a first and final dividend in respect of the year ended 31st December 2009 totaling Sh 110.34 million being Sh 0.50 per share.
4. To approve the remuneration of the Directors as provided in the accounts for the year ended 31st December 2009.
5. To re-elect Director:
   Mr. Muchiri Wahome 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 authorize the Directors to set their remuneration for the ensuing financial year.

By Order of the Board

M.M. Kipchumba
Company Secretary
28th April 2010
Nairobi, Kenya

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company. A Proxy form may be obtained from the Company's website, ***www.scangroup.biz****, or from the Share Registrar's offices, 8th Floor Rehani House, Kenyatta Avenue, Nairobi, Kenya.*

2. The Proxy form should be returned to the Registrar before 11 a.m. on Monday 28th June 2010. In case of a member being a limited company the proxy form must be completed under Common Seal or under the hand of an officer or attorney duly authorized in writing.

3. Registration of members and proxies attending the Annual General Meeting will commence at 7 a.m. Members and proxies will be required to produce a national identity card or passport for identification purposes. CDS account numbers or member numbers will also be required to expedite registration. Registration will close at the conclusion of the meeting.

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 is the founder shareholder of Scangroup and a Director of all Scangroup subsidiaries and has over thirty-six years working experience in Advertising and Communications. He holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation - UK. Bharat is also a Director in Internet Solutions Kenya Limited and Valley Terrace Limited. He is a former Chairman of the Advertising Practitioners Association (APA) and is a member of the Advertising Standards Board. In 2009 he underwent Executive Management Courses at the Harvard Business School.

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.

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
With over 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, a member of the Federation of Kenya Employers (FKE) management board 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. Muchiri holds a Bachelor of Arts (Economics) degree from the University of Nairobi and in 2006 obtained an Advanced Certificate in Management from the Strathmore Business School. In early 2010, he graduated as a fellow of the Aspen Leadership Institute.

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 for 9 years at PepsiCo. He is currently Deputy Group CFO with WPP.

Margaret Muhuni-Kipchumba
Company Secretary
Margaret was appointed Company Secretary in August 2009 and also serves on the Boards of Scangroup's Kenyan subsidiaries in this capacity. She is an advocate of the High Court of Kenya and a Certified Public Secretary. She is a member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Institute of Directors - Kenya.

CHAIRMAN'S STATEMENT

I am pleased to present the annual report for Scangroup Limited for the year ended 31st December 2009.

Economy

Kenya's economic performance in 2009 was constrained by unfavourable weather conditions, the global economic recession and sluggish internal and external demand, GDP growth in 2009 was 2.6% compared to 1.6% in 2008. This was in sharp contrast to the growth of 7% achieved in 2007.

The growth was mainly attributed to the resurgence of activities in the tourism sector and resilience in the building and construction industry. The average interest rate on 91-day Treasury Bills fell to 6.82% in December 2009 from 8.59% in December 2008. Inflation declined substantially from 16.2% in 2008 to 9.2% in 2009.

Looking forward, the world economy is projected to realise a higher performance in 2010 growing at 3.9% compared to negative 0.8% recorded in 2009. The domestic economy is expected to continue on a recovery path in 2010 with real GDP projected to grow by a rate between 4% and 5%.

Company's Financial Performance

Despite the effects of the 2008 global financial crises exacerbated locally by severe drought experienced in 2009, the Company achieved a profit after tax of Sh 401 million from Sh 316 million in 2008. This represented a 27% increase over the previous period and the increase was mainly contributed by interest income of Sh 92 million (up from Sh 14 million in 2008).

Dividend

Your Board has recommended for approval at the Annual General Meeting the payment of the first and final dividend of Sh 0.50 per share for the year ended 31st December 2009. The proposed dividend will be subject to withholding tax where applicable.

Africa Strategy

On 30th April 2010, the Company announced that it had entered into two agreements for the purchase of a 51% shareholding in O&M Africa BV and a 50% shareholding in Ogilvy East Africa Limited. This followed discussions between Ogilvy Africa and Scangroup to identify ways in which a partnership can be created in an effort to drive a common network expansion and growth strategy for Africa.

Your Board considers that the proposed investments, which are subject to necessary approvals, will contribute positively towards achieving the following objectives:

- The creation of a joint venture with Ogilvy & Mather lends our networks the much needed thrust to form a truly Pan-African agency group with products and services comparable only to the world's finest in the integrated marketing communications as more of our clients are seeking both truly pan-African support as well as best-in-class marketing services.
- By joining forces with Ogilvy & Mather across Sub Saharan Africa, Scangroup's ambition to pitch our regional success across the continent can become a reality. The ultimate conclusion of this deal will deliver a wide range of benefits to key stakeholders, a larger, more robust and knowledge rich network for clients, a stronger, more successful organisation, offering great career opportunities for employees, and a commercially strong and more profitable investment for Scangroup shareholders.

Corporate Governance

Your Company is committed to complying with legislation, regulation and best practice in all jurisdictions in which it operates. In the year under review, the Board adopted new charters for itself and its committees, namely, the Audit & Risk Management Committee and the Nominating & Remuneration Committee. These charters clearly define the governance parameters within which the Board and the committees operate and set out the specific responsibilities to be discharged by the directors collectively as well as certain roles and duties incumbent upon directors as individuals.

In 2009, the Company also adopted a new Code of Conduct for all employees in the Group that provides an overview of fundamental Company policies and directives guiding employee relationships with each other and stakeholders including clients, suppliers and shareholders. The central concept of the Code of Conduct is to confirm the Company's commitment to the principles of ethical and lawful business conduct.

Corporate Social Responsibility (CSR)

We believe that for sustainability, any entity with a long-term vision must be committed to achieving the balance between creating value for the shareholders as well as contributing to the well-being of the community. In 2009, the Company continued its pro bono support of various initiatives, two of which I would like to highlight here:

Zawadi Africa

Zawadi Africa is an Educational Fund that provides gifted young women from rural and under-resourced backgrounds the opportunity to attend some of the best Universities in the world. The program lays special emphasis on mentoring these brilliant young women to become future global leaders. Our creative agency Redsky and our public relations agency Hill & Knowlton East Africa have been the official strategic advisors for Zawadi for the last two years creating awareness and helping to raise funds to support its programs.

Working on a pro bono basis, Redsky and Hill & Knowlton East Africa have developed highly effective strategies for creating awareness of the initiative to increase fundraising and support for Zawadi Africa. This program has received over thirty scholarships from Universities in the USA, Canada and South Africa, and with limited financial means to send these students abroad, Zawadi worked with the Scangroup agencies to organize a fund raising event that generated over Sh 2.8 million, thereby ensuring all students were able to take up their scholarships. Further to this, Hill & Knowlton East Africa helped to negotiate a partnership agreement with KLM Royal Dutch Airlines who came on board to airlift the girls at a discounted rate.

Redsky and Hill & Knowlton's work has successfully built the Zawadi 'brand' with the program beneficiaries and its leadership team regularly featuring in the media. The publicity generated for the initiative has created an overwhelming response from corporate partners and created substantial goodwill and support from the public. As a result, Zawadi Africa has been able to spread its wings outside Kenya to initiate scholarship programs in Uganda, Ghana, and South Africa.

Uungwana Resource Institute

Uungwana is a concept borne out of Leonard Mambo's satirical program of the 1960's "Je, Huu ni Uungwana?" The initiative seeks to educate the public on the meaning of Uungwana against behavior that directly contradicts it - "Ushenzi" behavior. It aims at bringing out the greatness in us at an individual, organizational and societal level with a view to restoring the moral fabric of our society. Redsky has been involved in developing Uungwana's strategy for awareness and behavior change campaigns and created all the print, radio and outdoor communication, as well as below-the-line collateral.

Scangroup is developing a CSR activation model across all Scangroup agencies, centred on Scangroup's core business and strength; Creativity. Scangroup's CSR activation model will be entitled "Creativity for Good" and will provide a common platform for the Group's CSR creative activations in order to harness our collective strength with a viewing to widening the impact scope of our CSR programmes.

Acknowledgment

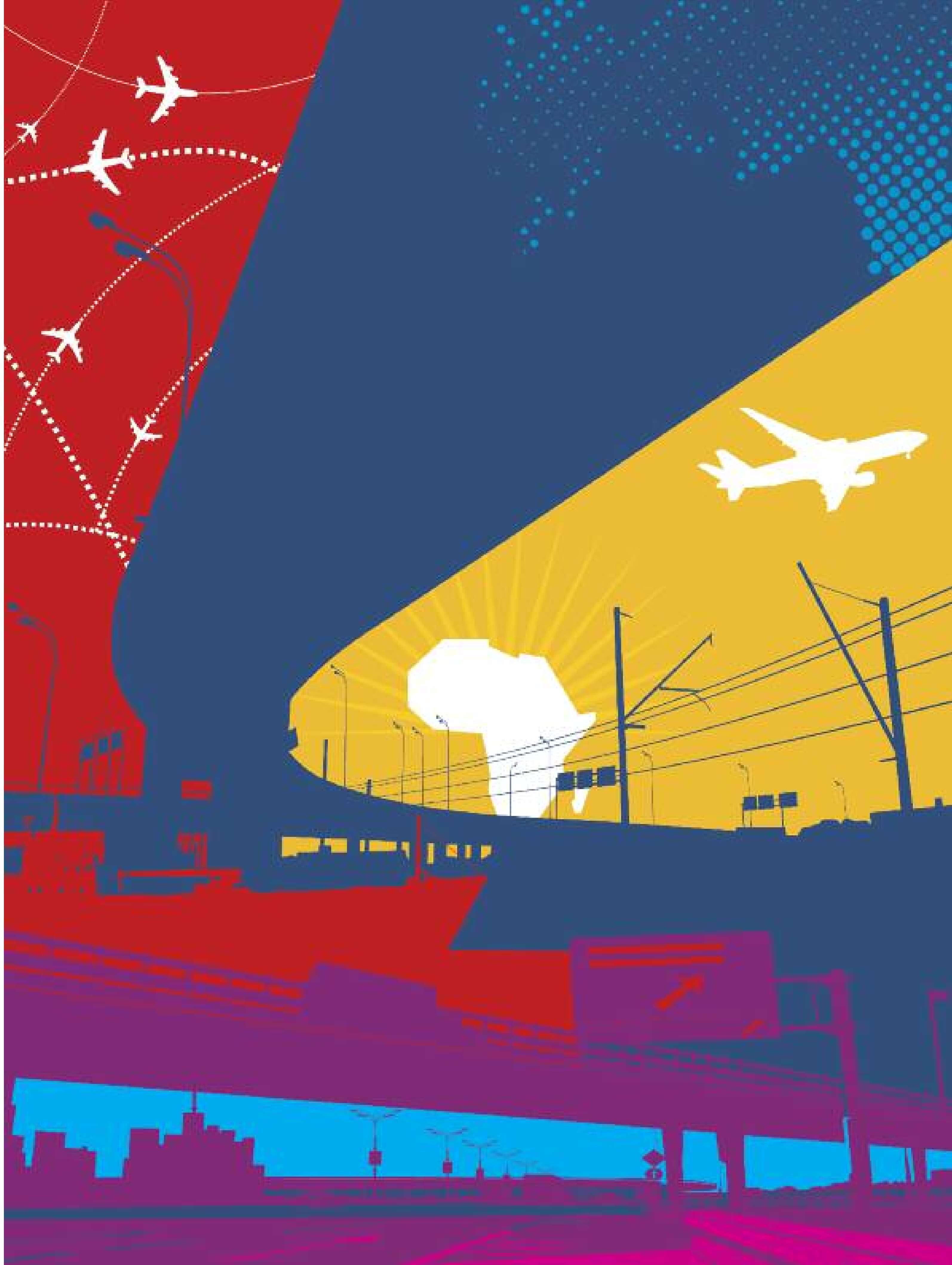
I would like to thank all our loyal clients without whom this impressive result would not be achieved. I also wish to recognize all management and staff across the Group companies for their hard work and dedication and last, but not least, I would like to thank my colleagues on the Board whose support and advice has been instrumental in steering the Company to being the leading marketing services Company in the region.

I look forward to welcoming you to the Annual General Meeting.

David Hutchison

Chairman

30th April 2010



Chief Executive's Statement

Dear Shareholders,

Key Highlights

The global financial crisis of 2008 severely hampered Africa's otherwise robust growth resulting in falling commodity prices, depressed export demand and a fall in income from both Agriculture and the Diaspora. The year 2009 started with a note of caution and, as a result, we decided to put on hold our geographical expansion plan and instead focus on two key areas, namely:

- Setting up Joint Ventures
- Internal reorganisation of our back office

Our new joint Ventures

The year marked the launch of Hill & Knowlton East Africa, our new public relations consultancy, as a joint-venture with WPP-owned Hill & Knowlton, a leading international communications consultancy providing services to local, multinational and global clients. This new company, into which we moved the clients and staff of Scanad PR, has already firmly established itself and is now fully integrated as part of Hill & Knowlton's global network of 79 offices in 44 countries. We are now better able to provide strategic public relations services to meet the increasingly sophisticated PR requirements of local and multi-national clients in the region. The new company has already made its mark in the PR field and is evidenced by two Excellence Awards received from the Public Relations Society of Kenya for consumer marketing and media relations campaigns.

We also entered the digital space by setting up Squad Digital, a specialist integrated digital marketing agency which is perhaps the first truly integrated digital marketing agency to be introduced in East & Central Africa. It is a joint-venture between Scangroup and one of the leading Indian digital marketing and technology businesses, Smile Interactive Technology Group, and Quasar, the latter being part of WPP Digital.

With the arrival of undersea fibre optic cables in the region we are seeing a major step-change in the marketing landscape as consumers interact and engage with brands on mobile and web platforms. Our Squad Digital joint-venture is ideally placed to take advantage of this rapidly growing medium with the world's best digital marketing expertise.

The launch of Squad Digital represents an important milestone as it allows us to expand into this emerging new service offering to our clients..

Squad Digital was launched to coincide with an explosion of interest in digital media channels on the African continent, with growth in mobile penetration out-stripping all other global markets, and web usage growing exponentially. Internet usage across the African continent has grown by 1,359.9% between 2000-2009 , and in Kenya it has more than doubled in the last two years, making it the fastest growing media with more than 3.5 million monthly users . The same study found that the duration of daily internet usage is now close to that of television. Finally, mobile phone usage is currently a major driver of internet access, with 45% of people in Kenya browsing the internet via mobile phone in 2009, compared to 13% in 2007.

[1] Source : Internetworldstats.com, 2009
[2] Source : Synovate, October 2009

As I mentioned in Scangroup's 2008 report, one of the priority area for 2009 was to focus on the management of working capital and improving cash flow. We therefore set up a commercial department to ensure timely billings and collections. I am happy to report that this department is now fully functional. In 2009, cash generated from operations was Sh 425 million as compared to Sh 4.5 million generated in 2008.

Our Performance

Our Billings remained almost flat and grew by 2% to over Sh 5.92 billion whilst Revenues were up by 13% to Sh 1.62 billion.

Kenya is still our primary market and contributed to over 80% of the net revenue, whilst Tanzania and Uganda contributed 11% and 9% respectively.

After taking into account an interest income of Sh 92 million, profit before tax grew by 25% to Sh 544 million. Basic earnings per share also grew by 1% to Sh 1.81 per share, up from Sh 1.79 in 2008.

Advertising and Media contributed to 89% of our revenue and grew by 14% whilst Speciality communications contributed to 4% of our revenue. Our Public Relations business contributed to 2% of our revenue and grew by 13% whilst our research business contributed to 5% of our revenue.

Five years Group performance data is given on page 18

Our people

Our HR Department continues with the robust improvement of Human Capital Planning and Capacity Building by engaging in the initiatives mentioned below.

Mentorship Program

In 2009 we saw the continuation of the Creative Mentorship Program where the Creatives who were on the program in the year 2008 were given opportunities to work on client pitches and campaigns. This is a clear indication of career progression and talent growth leading to excellent performance in the workplace.

Country & Inter-Company Exchange Programs:

The exchange program has been created to build a learning organization where employees relocate to other Units in different countries and experience new cultures and challenges as they continue their career progression. The Scangroup culture is also strengthened and fostered through sharing of best practices across the group.

We also introduced internal transfers for employees who are identified as high performers. This gives them the opportunity to grow and learn the business better while being able to work on a diverse range of client businesses.

Chief Executive's Statement

Continued

Training Programs

We engaged various training programs, both internal and external, to ensure that employees are well-equipped and have a good understanding of the business, its demands and expectations. Employees joining the Company are sent on training and are therefore able to fit into the agency by ensuring they receive a good induction and platform to work from.

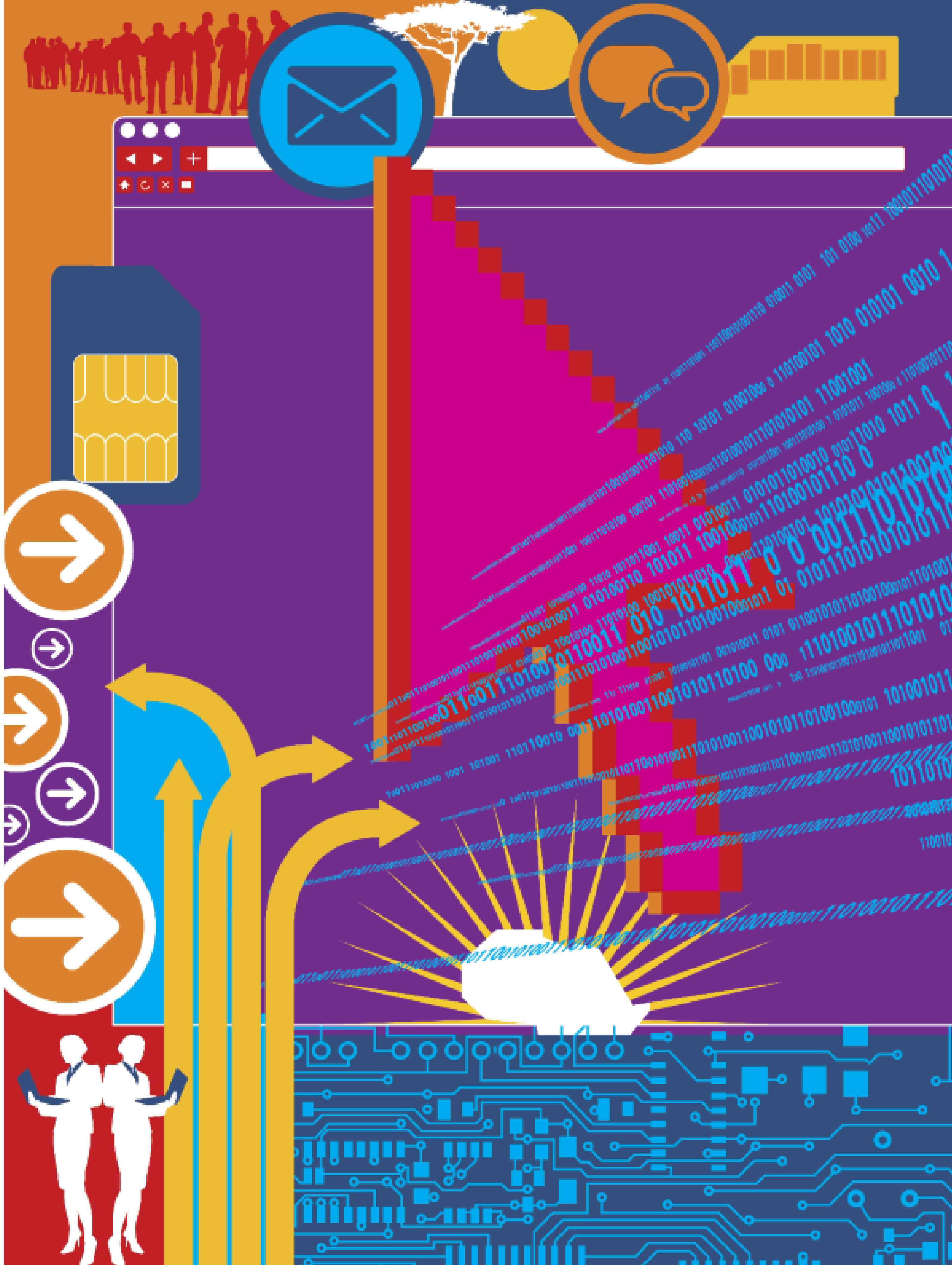
Going Forward

As the dust settles on the global economic crisis, we continue to pursue and deliver our growth strategy to offer best practices to our clients across all marketing service disciplines throughout Sub Saharan Africa. In the year 2010 and beyond we will begin to focus more on our expansion outside Kenya to deliver our vision of being the leading marketing services company in Africa.

Bharat Thakrar

Chief Executive Officer

30th April 2010



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 Board subscribes to generally accepted principles of corporate governance and in particular, has adopted the Capital Markets Authority guidelines on corporate governance practices by public listed companies in Kenya.

Board of Directors

The Directors who held office during the year under review and to the date of this report are listed on page 20. The Board currently comprises seven Directors of whom two are executive Directors and five are non-executive Directors. Of the five non-executive Directors, three, including the Chairman are independent. The independent Directors ensure that independent thought is brought to bear on Board decisions and have no management or any other business relationship with the Company which could influence their independence. During 2009 and up to the date of this report none of the Directors have received any loans from the Company or any other payments other than Director's fees and emoluments as disclosed on page 40.

In terms of the Company's Articles of Association, one-third of the Directors other than the executive Directors, Bharat Thakrar and Andrew White and the Directors representing Cavendish Square Holding BV, Andrew Scott and Christopher Sweetland are required to retire at each Annual General Meeting and may offer themselves for re-election. As indicated in the Notice, Muchiri Wahome is retiring by rotation and, being eligible, has offered himself for re-election.

The Board schedules four quarterly meetings during the year and holds additional meetings as and when required and is supplied with appropriate information to enable it discharge its duties.

The roles and responsibilities of the Chairman and the Chief Executive remain separate and are clearly defined.

Board Committees

The Board retains effective control over its operations and has established committees to assist in providing detailed attention to specific areas. The Board and its committees operate in terms of agreed mandates that set out their terms of reference. In 2009, Board and Committee mandates were revised to ensure that they keep pace with best governance practices.

The Board has established the following committees and delegated to them specific mandates as follows:

Audit & Risk Management Committee

The Audit & Risk Management Committee meets four times a year and at such other times as circumstances may dictate. Its membership includes three non-executive directors; David Hutchison (Chairman) Richard Omwela and Christopher Sweetland. The Chief Executive Officer, Chief Financial Officer and Internal Auditor are regular invitees to the Committee's meetings. In addition, the external auditor may be invited to attend as necessary, but at least once a year.

The Committee's responsibilities include review of financial statements, compliance with accounting standards, oversight on internal control systems, identification, assessment and effectiveness of business risk management processes and liaison with the external auditor. The Committee is also authorized by the Board to investigate any matter within its terms of reference and to seek any information it requires from any Company employee and retain external legal, accounting or other independent professional advisors as it considers necessary in discharging its responsibilities.

Nomination & Remuneration Committee

Membership of the Nomination & Remuneration Committee comprises of David Hutchison (Chairman) Richard Omwela, Muchiri Wahome, Andrew Scott and the CEO Bharat Thakrar. The Committee meets as required but at least once a year. The Committee is responsible for identifying and nominating for approval by the Board, candidates to fill Board vacancies as and when the need arises and in particular, give consideration to succession planning taking into account the challenges and opportunities facing the Company and ensure the necessary skills and expertise are available on the Board in the future. The Committee is responsible for monitoring and appraising the performance of senior management, reviewing human resources policies and determining the remuneration of senior management and making recommendation to the Board on the remuneration of Executive Directors. The CEO is not present when his remuneration is discussed.

Both the Audit & Risk Management Committee and the Nomination & Remuneration Committee report to the Board at each Board meeting highlighting matters discussed at their respective meetings and recommended actions.

Internal Control

The Directors acknowledge their responsibilities as set out on page 25 for the maintenance of adequate systems of 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 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. The internal audit function is independent of the activities of the management and is performed with impartiality, proficiency and due professional care.

Shareholding

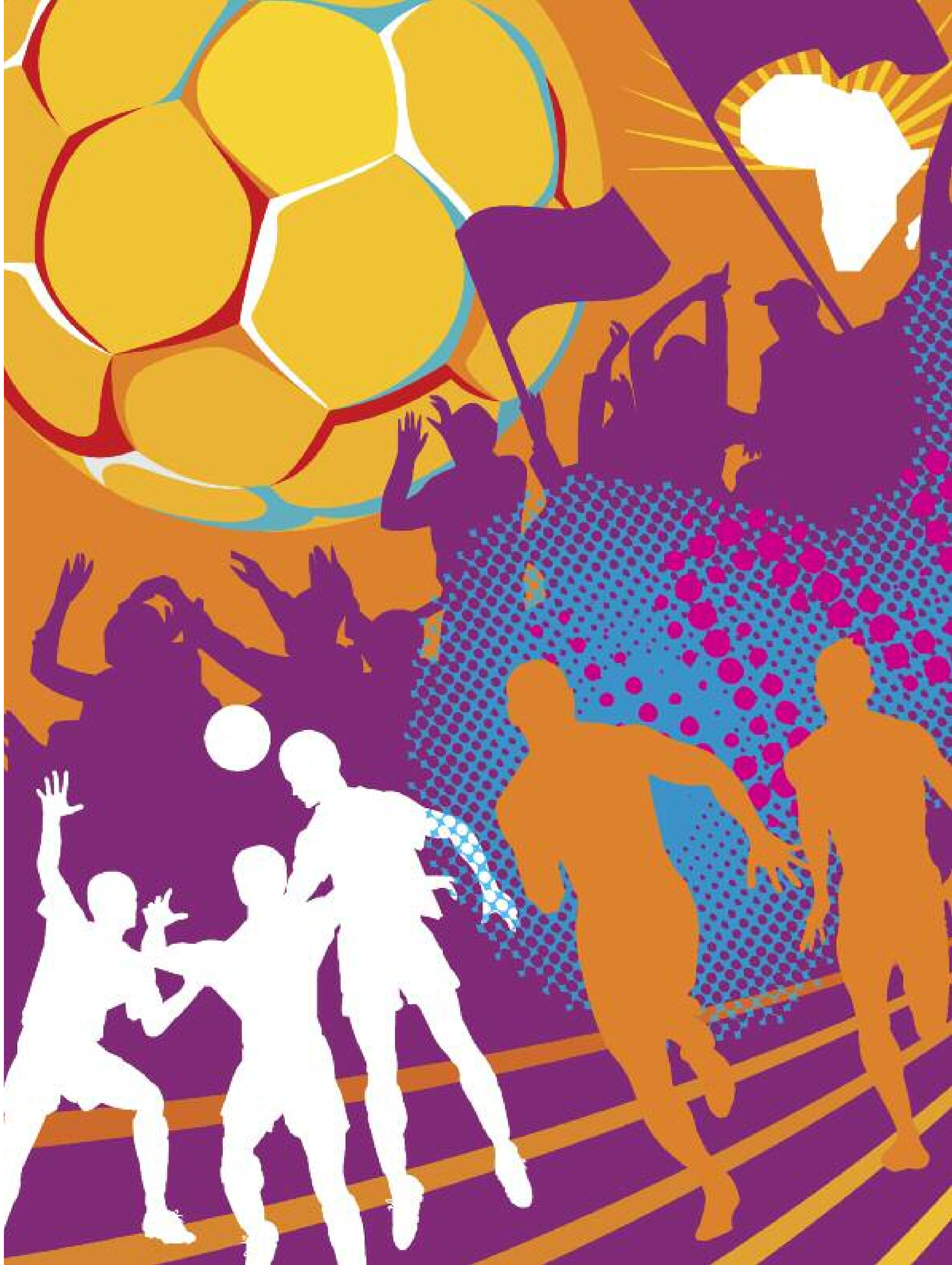
SUMMARY OF SHAREHOLDERS AS AT 31ST DECEMBER 2009

Category	Total number of shareholders	Total number of shares held	Shareholding % of issued share capital
Foreign Investors	337	109,561,185	49.65%
East African Individuals	32,197	67,711,290	30.68%
East African Institutions	1,719	43,417,180	19.67%
Total	34,253	220,689,655	100.00%

Range	Total number of members	Total number of shares	% of issued share capital
1 - 500	27,125	9,215,306	4.18%
501 - 5,000	6,206	9,391,917	4.26%
5,001 - 10,000	442	3,465,537	1.57%
10,001 - 100,000	421	9,734,040	4.41%
100,001 - 1,000,000	49	14,668,000	6.64%
Above 1,000,000	10	174,214,855	78.94%
Total	34,253	220,689,655	100.00%

TOP 10 INVESTORS AS AT 31ST DECEMBER 2009

Rank	Name	Total number of shares held	% of issued capital
1	Cavendish Square Holdings BV	60,689,655	27.50%
2	Thakrar, Bharat	45,523,800	20.63%
3	Barclays (Kenya) Nominees Ltd Non-Resident A/C 9300	21,563,600	9.77%
4	White, Andrew John Laird	19,755,000	8.95%
5	Bora Services Ltd A/C Scangroup Ltd	14,664,000	6.64%
6	Barclays (Kenya) Nominees Ltd Non-Resident A/C 9296	5,863,300	2.66%
7	Barclays (Kenya) Nominees Ltd A/C 9486	1,899,400	0.86%
8	Barclays (Kenya) Nominees Ltd A/C 9230	1,857,700	0.84%
9	Kenya Commercial Bank Nominees Ltd A/C 769G	1,324,100	0.60%
10	Barclays (Kenya) Nominees Ltd A/C 9389	1,074,300	0.49%
	Total	174,214,855	78.94%



Five Years Group Financial Review

ENDED 31ST DECEMEBER 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	31-Dec 2009 Sh '000	31-Dec 2008 Sh '000	31-Dec 2007 Sh '000	31-Dec 2006 Sh '000	31-Dec 2005 Sh '000 (note 1)
Billings	5,920,012	5,789,716	4,773,411	3,012,461	2,343,628
Revenues	1,624,029	1,436,892	1,157,088	829,574	595,564
Interest Income	92,221	14,281	-	-	-
Profit Before Taxation	544,100	436,755	352,814	278,686	200,994
Taxation Charge	(142,952)	(120,966)	(108,381)	(83,158)	(52,802)
Profit After Tax	401,148	315,789	244,433	195,528	148,192
Minority Interest	(2,648)	(8,767)	(7,133)	(9,128)	(4,686)
Profit Available to Scangroup shareholders	398,500	307,022	237,300	186,400	143,506
	Sh	Sh	Sh	Sh	Sh
Earnings Per Share (EPS) - see note 2	1.81	1.79	1.49	1.21	0.96
Number of shares	220.69 million	171.47 million	159.25 million	153.75 million	150.00 million

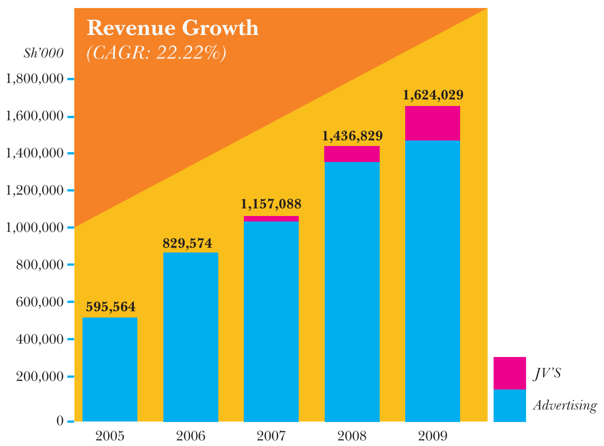
CONSOLIDATED BALANCE SHEET DATA

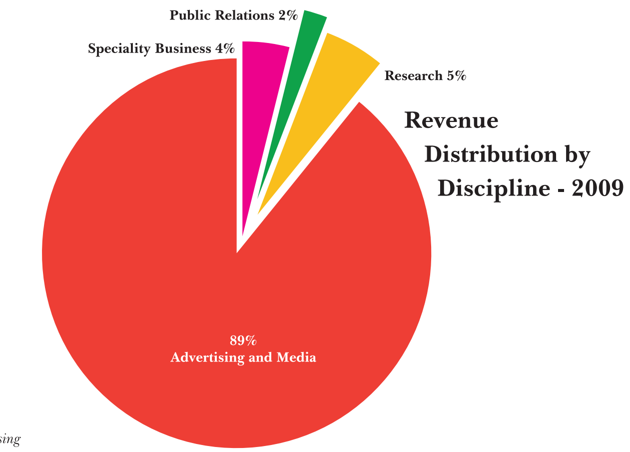
ASSETS					
Non - Current Assets	719,703	180,133	141,757	47,505	39,130
Current Assets	3,213,445	3,580,931	1,611,878	1,190,461	982,433
Total Assets	3,933,148	3,761,064	1,753,635	1,237,966	1,021,563
Non Current Liabilities	11,620	4,065	3,481	88	990
Current Liabilities	1,555,306	1,677,535	1,146,493	766,955	779,965
Total Equity	2,366,222	2,079,464	603,661	470,923	240,608
Total Equity and Liabilities	3,933,148	3,761,064	1,753,635	1,237,966	1,021,563

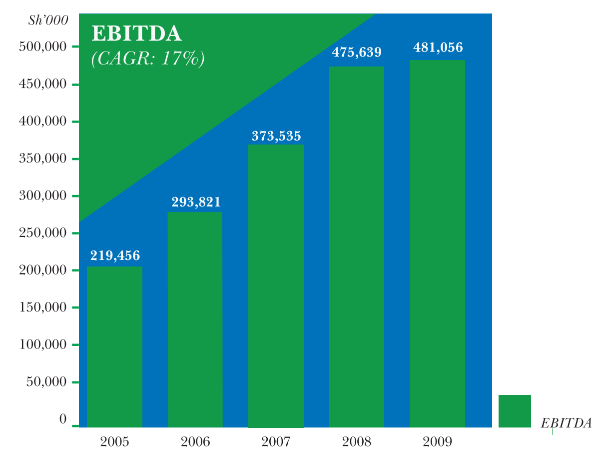
Note 1
For comparative purposes, year 2005 numbers in the consolidated profit and loss account and consolidated balance sheet have been included as if the Group, as restructured, had been in existence throughout the period. The presentation adopted is intended to provide a better understanding of the Group's operations and the numbers included above have been taken from the Accountant's report published in the prospectus dated 13th July 2006.

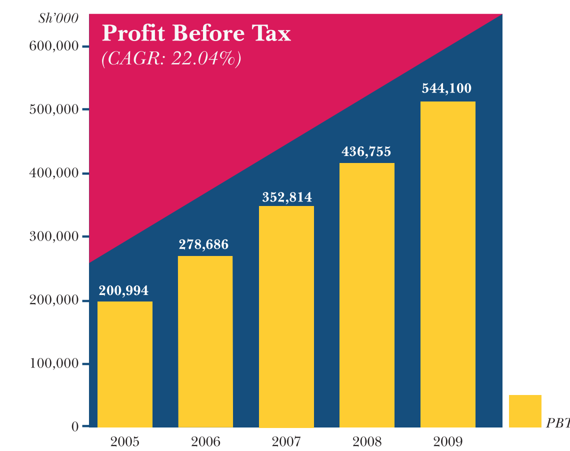
Note 2
The EPS calculation for the year 2005 is based on the assumption that 150 million shares were in issue throughout the year and ESP for the year 2006-2009 is calculated using weighted average number of shares.

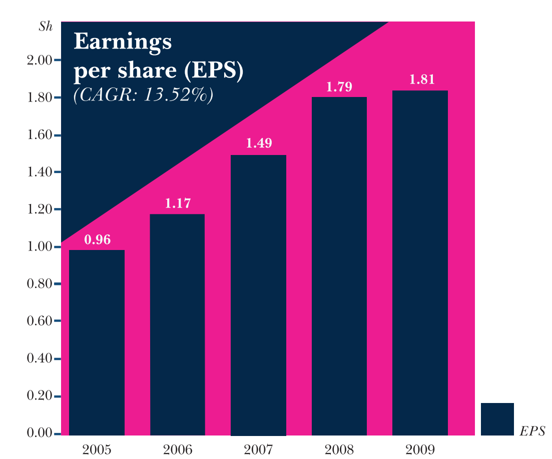
Financial Performance Charts

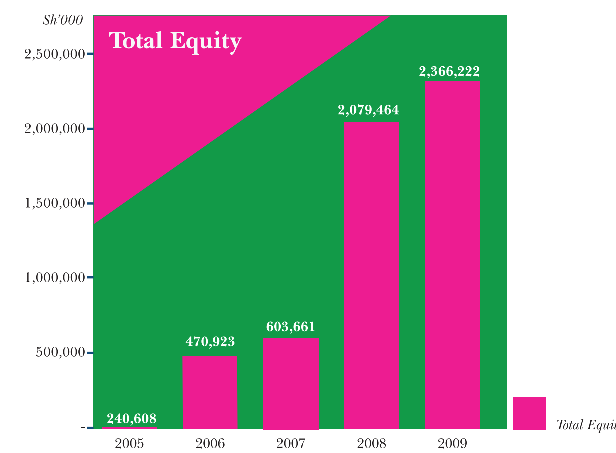












Corporate Information

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
M.M. Kipchumba
Certified Public Secretary (Kenya)
The Chancery, 5th Floor
Valley Road
P.O. Box 34537 - 00100 Nairobi

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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

LEGAL ADVISORS
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	
Scanad East Africa Limited (formerly Lowe Scanad East Africa Limited) The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Holding company for Roundtrip Limited, Scanad Tanzania Limited, Scanad Uganda Limited.
Scanad Kenya Limited (formerly Lowe Scanad Kenya Limited) The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency
J. Walter Thompson Kenya Limited (formerly 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	Specialty communication company providing services such as experiential marketing, activation and event management.
Grey East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency
Redsky Limited Baobaob Suite, 1st Floor, Riverside, 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
Hill & Knowlton East Africa Limited Baobaob Suite, 1st Floor, Riverside, P.O. Box 34537 - 00100 Nairobi	Public Relations agency
Squad Digital Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Digital advertising
TANZANIA	
Scanad Tanzania Limited (formerly 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 J.Walter Thompson Tanzania Limited.
J.Walter Thompson Tanzania Limited (formerly FCB Tanzania Limited) P.P.F Tower, 2nd Floor, Ohio street P.O. Box 79356 Dar es Salaam	Advertising agency

Corporate Information

Continued

UGANDA	
Scanad Uganda Limited (formerly 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 Scangroup (Malawi) Limited, Scangroup Mozambique Limitada Scangroup West Africa Limited Scangroup (Zambia) Limited
MIA Mauritius Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Dormant
Media Buying Africa Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Investment company & parent company of Redsky Ghana Limited
Scangroup (Malawi) Limited Aquarius House, Capital City P.O. Box 30636 Lilongwe 3, Malawi	Media agency
Scangroup (Zambia) Limited Plot 2386, Longolongo Road P.O. Box 32115 Lusaka, Zambia	Media agency
Scangroup Mozambique Limitada Predio 33 Andares, 16 Andar Maputo, Mozambique	Media agency
Redsky Ghana Limited Liberation Road, P.O.Box 453 Accra, Ghana	Dormant
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 2009.

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

	Total	Attributable to Shareholders of Scangroup Ltd	Attributable to Minority Interest (non controlling interest)
	Sh'000	Sh'000	Sh'000
Profit before Taxation	544,100	540,522	3,578
Taxation charge	(142,952)	(142,022)	(930)
Profit for the year	401,148	398,500	2,648
Other Comprehensive Income	29,180	30,037	(857)
Total Comprehensive Income	430,328	428,537	1,791

DIVIDENDS

The directors propose a first and final dividend totalling Sh 110,344,828 being Sh 0.50 per share (2008: Sh 135,779,310).

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 29th June 2010. Dividend payment will be subject to withholding tax, where applicable.

DIRECTORS

The current members of the Board of Directors are as shown on page 20.

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

M.M. Kipchumba
Company Secretary
28 April 2010
Nairobi, Kenya

Statement of Directors' Responsibility

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.

David Hutchison
Director

Bharat Thakrar
Director

28 April 2010

Independent Auditor's 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 27 to 57 which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows 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 2009 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 statement of financial position is in agreement with the books of account.

Certified Public Accountants (Kenya)
28 April 2010
Nairobi

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 Sh'000	2008 Sh'000
Billings	3	5,920,012	5,789,716
Direct costs		(4,295,983)	(4,352,824)
Revenue		1,624,029	1,436,892
Other income		1,492	4,150
Administration expenses		(1,069,866)	(907,165)
Operating expenses		(102,862)	(91,469)
Interest income from investments	4	92,221	14,281
Finance costs	5	(914)	(19,934)
Profit before tax	6	544,100	436,755
Taxation charge	8	(142,952)	(120,966)
Profit for the year	9	401,148	315,789
Other comprehensive income:			
Exchange difference on translating foreign operations		(5,252)	(393)
Gains arising on revaluation of available for sale of assets	13	34,432	-
Other comprehensive income		29,180	(393)
Total comprehensive income		430,328	315,396
Profit attributable to:			
Equity holders of the parent company		398,500	307,022
Non-Controlling interest	22	2,648	8,767
		401,148	315,789
Total Comprehensive income attributable to:			
Equity holders of the parent company		428,537	306,629
Non-controlling interest		1,791	8,767
		430,328	315,396
Basic earnings per share (Sh)	10	1.81	1.79
Diluted earnings per share (Sh)	10	1.81	1.79

Consolidated Statement of Financial Position

31 DECEMBER 2009

	Notes	2009 Sh'000	2008 Sh'000
ASSETS			
Non current assets			
Equipment	12(a)	99,771	96,585
Kenya Government Securities	13	528,997	-
Deferred tax asset	15	7,387	-
Goodwill	16	83,548	83,548
		719,703	180,133
Current assets			
Trade and other receivables	17	2,460,545	2,365,622
Due from related parties	18(a)	11,994	6,218
Work-in-progress	19	31,926	52,370
Taxation recoverable	8(c)	32,212	58,958
Short-term bank deposits	20	497,378	949,281
Cash and bank balances		179,390	161,375
		3,213,445	3,593,824
Total assets		3,933,148	3,773,957
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	220,690	220,690
Share premium account		1,328,105	1,328,105
Revenue reserve		780,519	517,798
Investment revaluation reserve		34,432	-
Translation reserve		(9,906)	(5,511)
Equity attributable to equity holders of the parent		2,353,840	2,061,082
Non controlling interest	22	12,382	18,382
Total equity		2,366,222	2,079,464
Non Current liabilities			
Deferred tax liability	15	-	119
Finance leases	23	1,825	3,946
Loans due to related parties	18(c)	9,795	-
		11,620	4,065
Current liabilities			
Taxation payable	8(c)	18,905	12,893
Due to related parties	18(d)	18,400	8,983
Finance leases	23	2,005	1,760
Bank overdraft	24	-	145,965
Trade and other payables	25	1,508,378	1,516,330
Dividends Payable	26	7,618	4,497
		1,555,306	1,690,428
Total equity and liabilities		3,933,148	3,773,957

The financial statements on pages 27 to 57 were approved by the Board of Directors on 28 April 2010 and were signed on its behalf by:

David Hutchison
Director

Bharat Thakrar
Director

Company Statement of Financial Position

31 DECEMBER 2009

	Notes	2009 Sh'000	2008 Sh'000
ASSETS			
Non current assets			
Equipment	12(b)	23,138	21,333
Kenya Government Securities	13	528,997	-
Investment in subsidiaries	14(a)	189,679	189,266
Investment in joint venture	14(b)	14,700	14,700
Long term loan to subsidiary company	18(b)	10,195	-
Deferred tax asset	15	2,967	1,026
		769,676	226,325
Current assets			
Taxation recoverable	8(c)	-	2,189
Trade and other receivables	17	800,395	633,144
Due from related companies	18(a)	230,654	574,305
Work in progress	19	7,210	23,830
Short-term deposits	20	497,378	949,281
Cash and bank balances		217,159	16,734
		1,752,796	2,199,483
Total assets		2,522,472	2,425,808
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	220,690	220,690
Share premium account		1,328,105	1,328,105
Revenue reserve		278,234	202,443
Investment revaluation reserve		34,432	-
Shareholders' funds		1,861,461	1,751,238
Non current liabilities			
Finance leases	23	1,049	1,636
Current liabilities			
Taxation payable	8(c)	2,692	-
Due to related parties	18(d)	29,368	42,310
Finance leases	23	669	588
Bank overdraft	24	-	13,994
Trade and other payables	25	619,615	611,545
Dividends Payable	26	7,618	4,497
		659,962	672,934
Total equity and liabilities		2,522,472	2,425,808

The financial statements on pages 27 to 57 were approved by the Board of Directors on 28 April 2010 and were signed on its behalf by:

David Hutchison
Director

Bharat Thakrar
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital Sh'000	Share premium account Sh'000	Revenue reserve Sh'000	Investment revaluation reserve* Sh'000	Translation reserve** Sh'000	Attributable to equity holders of the parent Sh'000	Non controlling interest Sh'000	Total Sh'000
Year Ended 31 December 2008								
At 1 January 2008	160,000	77,878	354,776	-	(5,118)	587,536	16,125	603,661
New shares issued (note 21)	60,690	1,250,227	-	-	-	1,310,917	-	1,310,917
	220,690	1,328,105	354,776	-	(5,118)	1,898,453	16,125	1,914,578
Profit for the year	-	-	307,022	-	-	307,022	8,767	315,789
Other comprehensive losses	-	-	-	-	(393)	(393)	-	(393)
Total comprehensive income	-	-	307,022	-	(393)	306,629	8,767	315,396
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	517,798	-	(5,511)	2,061,082	18,382	2,079,464
Year Ended 31 December 2009								
At 1 January 2009	220,690	1,328,105	517,798	-	(5,511)	2,061,082	18,382	2,079,464
Profit for the year	-	-	398,500	-		398,500	2,648	401,148
Other comprehensive income / (losses)	-	-	-	34,432	(4,395)	30,037	(857)	29,180
Total comprehensive income	-	-	398,500	34,432	(4,395)	428,537	1,791	430,328
Final dividend paid - 2008	-	-	(135,779)	-		(135,779)	-	(135,779)
Interim dividend paid	-	-	-	-		-	(7,791)	(7,791)
At 31 December 2009	220,690	1,328,105	780,519	34,432	(9,906)	2,353,840	12,382	2,366,222

* Investment revaluation reserve relates to unrealised gain on fair value adjustments of securities classified as Available-for-sale.

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

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital Sh'000	Share premium account Sh'000	Revenue Reserve Sh'000	Investment revaluation reserve* Sh'000	Total Sh'000
Year Ended 31 December 2008					
At 1 January 2008	160,000	77,878	207,269	-	445,147
New shares issued (note 21)	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
Year Ended 31 December 2009					
At 1 January 2009	220,690	1,328,105	202,443	-	1,751,238
Profit for the year	-	-	211,570	-	211,570
Other comprehensive income	-	-	-	34,432	34,432
Total comprehensive income	-	-	211,570	34,432	246,002
Final dividend paid - 2008	-	-	(135,779)	-	(135,779)
At 31 December 2009	220,690	1,328,105	278,234	34,432	1,861,461

* Investment revaluation reserve relates to unrealised gain on fair value adjustments of securities classified as Available-for-sale.

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 Sh'000	2008 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27(a)	424,526	4,478
Taxation paid	8(c)	(118,512)	(152,281)
Net cash generated from/ (used in) generating activities		306,014	(147,803)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	27(c)	(35,038)	(58,187)
Proceeds on sale of equipment		3,877	50
Acquisition of subsidiary	16	-	(6,097)
Purchase of Infrastructure bonds		(494,565)	-
Interest received from investments		69,961	-
Net cash used in investing activities		(455,765)	(64,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares		-	1,310,917
Dividends paid	26	(140,449)	(150,854)
Hire Purchase loans repaid	23	(1,876)	(1,739)
Loan received from related company		9,795	-
Net cash (used in)/generated from financing activities		(132,530)	1,158,324
(Decrease)/increase in cash and cash equivalents		(282,281)	946,287
Movement in cash and cash equivalents			
As at beginning of the year		964,691	21,805
(Decrease)/increase during the year		(282,281)	946,287
Effect of fluctuations in exchange rates		(5,642)	(3,401)
Cash and cash equivalents at end of the year	27(b)	676,768	964,691

FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES

Statement of compliance

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

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

Adoption of new and revised standards

Standards and interpretations effective in the current period

(i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised standards and interpretations have been adopted in the current period and have affected the amounts and disclosures reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but have had no effect on the amounts reported are set out in section b (ii) below.

- ***IFRS 2 'Share based payment-vesting conditions and cancellations' (amendment) - effective 1 January 2009***
  The amendment clarifies that vesting conditions are service conditions and performance conditions only, and as such, any other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of the amendment does not have an impact on the financial position or the comprehensive income of the Group and the company.
- ***IFRS 7 'Financial instruments - Disclosures' (amendment) - effective 1 January 2009***
  The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment does not have an impact on the financial position or the statement of comprehensive income of the Group and the company.
- ***IFRS 8 'Operating segments. - effective 1 January 2009***
  IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.
- ***IAS 1 (revised) 'Presentation of financial statements' - effective 1 January 2009***
  A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. According to the amendment to IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. The adoption does not have any impact on retained earnings.

  The Group also adopted the use of the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows to describe the 'balance sheet' and cash flows statement respectively.

b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

(ii) Standards and interpretations issued but not yet effective

- IFRS 3: (revised) 'Business Combinations' - Comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009).
- IFRS 9, 'Financial instruments part 1: Classification and measurement' - replaces those parts of IAS 39 relating to the classification and measurement of financial assets (effective for accounting periods beginning on or after 1 January 2013).
- 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: Investment in Associates - Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).

- IAS 36: Impairment of Assets: Amendment relating the unit of accounting for goodwill impairment test (effective for accounting periods beginning on or after 1 January 2010).
- IAS 38, intangible Assets: Amendment for measuring the fair value of an intangible asset acquired in a business combination (effective for accounting periods beginning on or after 1 January 2010)
- IAS 39: Financial Instruments: Recognition and Measurement - Eligible hedged items Amendments to clarify the accounting for embedded derivatives when reclassifying financial instruments (effective for annual periods ending on or after 30 June 2009).
- IAS 39: Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 17: Distribution of non-cash assets to owners (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).

The standards and interpretations above have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods. The impact of the standards and interpretations expected to be relevant to the Group is detailed below:

- ***IFRS 3 (revised) 'Business Combinations' - effective 1 July 2009.***

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- ***IAS 27, 'Consolidated and separate financial statements' - effective 1 July 2009.***

  The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.

- ***IFRS 9, 'Financial instruments part 1: Classification and measurement' - effective 1 January 2013.***

  IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  The group has classified its investment in infrastructure bond at fair value with the resulting gain or loss on fair value adjustments amounting to Sh 34,432,000 being recognised through other comprehensive income in the statement of comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

(iii) Early adoption of standards

The Group did not early-adopt new or amended standards or interpretations in 2009.

Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2009, when effective, will have no material impact on the financial statements of the Group.

The IASBs annual improvements process deals with non-urgent, minor amendments to standards.

Basis of preparation

The financial statements have been prepared under the historical cost basis except for the revaluation of certain financial instruments. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from effective date of acquisition and up to the effective date of disposal.

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) Interest in 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 14(b) of these financial statements, which have been prepared to 31 December 2009.

Revenue recognition

Provision of services
Revenue is recognised on an accruals basis and is stated net of Value Added Tax at the contractual rates as labour hours are delivered and direct expenses incurred.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable.

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 and billed out to client.

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 end of reporting period. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains or losses on exchange are dealt within the profit or loss.

Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position 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. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in number of delayed payments in the portfolio past average credit period as well as observable changes in national or economic conditions that correlate with default on receivables.

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 carried at amortised cost.

Kenya Government Securities - Infrastructure bonds
Infrastructure bonds are debt securities issued by the Government of Kenya. These are classified as available for sale and presented as non-current assets as the management does not have the intention of disposing these investments within the next twelve months. These bonds are measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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 end of reporting period, 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 profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

Retirement benefits

The Group has a defined contribution scheme in Kenya 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. Employer's 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 profit or loss as they fall due.

Provisions for employee entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. The necessary provision is made in the profit or loss based on the terms of the company's leave policy.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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 end of reporting period, 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 investments
The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances it will reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period 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 the each end of reporting period to determine whether provisions need to be made and if there are any contingent liabilities.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and suitable discount rate in order to calculate present value.

3. SEGMENTAL INFORMATION

The following is an analysis of the Group's revenue and contribution derived from different revenue segment:

	Segment Revenue		**Segment Contribution**	
	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2008
Revenue Segment				
Advertising and media investment management	1,424,076	1,235,727	908,549	855,600
Other marketing and communication sectors	199,953	201,165	76,394	77,930
Total	**1,624,029**	**1,436,892**	984,943	933,530
Other income			1,492	4,150
Investment revenue			92,221	14,281
Indirect administration and operating costs			(533,642)	(495,272)
Finance cost			(914)	(19,934)
Profit before tax			**544,100**	**436,755**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment contribution represents the gross profit made by each segment before allocation of the common overheads for providing back-office services including finance, administration, IT, human resource.

This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

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

	2009 Sh'000	2008 Sh'000
Kenya	4,678,540	4,318,978
Uganda	648,493	739,248
Tanzania	558,586	721,776
Outside East Africa	34,393	9,714
	5,920,012	5,789,716

4. INTEREST INCOME FROM INVESTMENTS

	2009 Sh'000	2008 Sh'000
Available for sale - Kenya Government securities	40,664	-
Bank deposits	51,557	14,281
	92,221	14,281

5. FINANCE COSTS

Net interest receivable/ (payable)	3,761	(25,013)
Exchange (loss)/ gain	(4,675)	5,079
	(914)	(19,934)

6. PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

Staff costs (Note 7)	867,924	737,698
Auditors' remuneration	7,539	7,539
Operating lease rentals	53,742	41,345
Depreciation	27,685	27,917
Gain on disposal of equipment	1,492	235
Directors' remuneration		
- Fees to non-executive directors	1,880	1,790
- Fees to executive directors	-	-
- Other emoluments to non-executive directors	-	-
- Other emoluments to executive directors	66,215	56,190

7. STAFF COSTS

Salaries and wages	763,456	676,550
Social security costs (NSSF)	17,704	14,298
Contribution to provident fund scheme	14,658	4,394
Staff leave pay provision	10,548	-
Others	61,558	42,456
	867,924	737,698

8. TAXATION

	2009 Sh'000	2008 Sh'000
(a) Tax expense		
Current taxation based on the adjusted profit		
For company at 20% (2008:20%)	32,157	30,021
For subsidiaries at 30% (2008:30%)	118,216	89,415
Prior year under provision	76	-
	150,449	119,436
Deferred taxation (credit)/charge (Note 15)		
- current year	(7,071)	1,476
- prior year over/(under) provision	(426)	54
	(7,497)	1,530
	142,952	120,966
(b) Reconciliation of expected tax based on accounting profit to tax expense		
Accounting profit before taxation	544,100	436,755
Tax at the applicable rate of 30% (2008:30%)	163,230	131,027
Tax effect of expenses not deductible for tax purposes	5,955	7,243
Tax effect of holding company being charged at 20% (2008:20%)	(17,750)	(14,317)
Tax effect of income not subject to tax	(8,133)	(3,041)
Prior year (under)/over provision-deferred tax	(426)	54
Prior year under provision-current tax	76	-
	142,952	120,966

(c) Tax movement

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
At beginning of year - recoverable	46,065	11,300	2,189	23,171
Taxation paid	118,512	152,281	27,352	8,354
Charge for the year	(150,449)	(119,436)	(32,233)	(29,336)
Translation difference	(821)	1,920	-	-
	13,307	46,065	(2,692)	2,189
Analysis of taxation recoverable				
Taxation recoverable	32,212	58,958	-	2,189
Taxation payable	(18,905)	(12,893)	(2,692)	-
	13,307	46,065	(2,692)	2,189

9. PROFIT FOR THE YEAR

The profit after taxation of Sh 211,569,815 (2008: Sh 139,174,377) has been dealt with in the financial statements of Scangroup Limited.

10. EARNINGS PER SHARE

(i) Basic earnings 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:

	2009	2008
Profit attributable to equity holders of the parent (Sh'000)	398,500	307,022
Weighted average number of shares (in thousands)	220,690	171,473
Basic earnings per share (Sh)	1.81	1.79

ii) Diluted earnings 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.

	2009	2008
(a) Profit used to determine diluted earnings per share(Sh'000)	398,500	307,022
(b) Weighted average number of shares in issue (in thousands)	220,690	171,473
(c) Weighted average number of shares under option as at year end (in thousands)	8,146	4,553
(d) Weighted average number of shares that would have been issued at average market price (in thousands)	9,228	4,862
(e) Diluted earnings per share (Sh) *	1.81	1.79

* (e) = (a) divided by (b + c - d)

11. DIVIDENDS

The directors propose a first and final dividend totalling Sh 110,344,828 being Sh 0.50 per share (2008: Sh 135,779,310).

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 June 2010. Dividend payment will be subject to withholding tax, where applicable.

12.(a) EQUIPMENT - GROUP

	Computers and Accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST	Sh'000	Sh'000	Sh'000	Sh'000
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
At 1 January 2009	79,109	39,783	71,742	190,634
Additions	15,687	4,499	14,852	35,038
Disposals	(1,588)	(4,091)	(2,182)	(7,861)
Exchange rate adjustment	(1,452)	(667)	(1,403)	(3,522)
At 31 December 2009	91,756	39,524	83,009	214,289
DEPRECIATION				
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
At 1 January 2009	44,697	21,955	27,397	94,049
Charge for the year	14,788	5,585	7,312	27,685
Eliminated on disposal	(875)	(3,665)	(936)	(5,476)
Exchange rate adjustment	(1,070)	(248)	(422)	(1,740)
At 31 December 2009	57,540	23,627	33,351	114,518
NET BOOK VALUE				
At 31 December 2009	34,216	15,897	49,658	99,771
At 31 December 2008	34,412	17,828	44,345	96,585

Motor vehicles also include vehicles with a net book value of Sh 4,628,440 (2008: Sh 6,171,253) that are subject to hire purchase financing - Note 23.

12.(b) EQUIPMENT - COMPANY

	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
	Sh'000	Sh'000	Sh'000	Sh'000
COST				
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
At 1 January 2009	20,807	9,124	5,030	34,961
Additions	7,998	-	2,418	10,416
Disposals	(443)	-	-	(443)
At 31 December 2009	28,362	9,124	7,448	44,934
DEPRECIATION				
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 write off	(240)	-	-	(240)
At 31 December 2008	7,049	4,181	2,398	13,628
At 1 January 2009	7,049	4,181	2,398	13,628
Charge for the year	6,434	1,236	631	8,301
Eliminated on disposals	(133)	-	-	(133)
At 31 December 2009	13,350	5,417	3,029	21,796
NET BOOK VALUE				
At 31 December 2009	15,012	3,707	4,419	23,138
At 31 December 2008	13,758	4,943	2,632	21,333

Included in the motor vehicles is a vehicle with a net book value of Sh 1,840,246 (2008: 2,453,663) which is subject to hire purchase financing - Note 23.

13. KENYA GOVERNMENT SECURITIES

	2009 Sh'000	2008 Sh'000
Infrastructure Bonds - Available for Sale (IFB2/2009/12) coupon rate 12.5%		
Cost	494,565	-
Fair value gain on revaluation	34,432	-
Fair value at 31 December	528,997	-

These bonds mature in 2021, with partial maturities in 2015 and in 2017. Interest income earned from these Infrastructure bonds is tax free. The coupon rate on infrastructure bond during the year was 12.5%.

14.(a) INVESTMENT IN SUBSIDIARIES, AT COST

	2009 Sh'000	2008 Sh'000
Scanad Kenya Limited (100% owned)	40,000	40,000
J.Walter Thompson Kenya Limited (90% owned)	18,000	18,000
Scanad East Africa Limited (100% owned)	31,500	31,500
Redsky Limited (100% owned)	84,542	84,542
Media Compete East Africa (100% owned)	40	40
Grey East Africa Limited (100% owned)	40	40
McCann Kenya Limited (100% owned)	15,000	15,000
Scangroup Mauritius Holding Limited (100% owned)	144	144
Squad Digital East Africa Limited (51% owned)	408	-
Hill & Knowlton East Africa Limited (51% owned)*	5	-
	189,679	189,266

* The company has given an option to the other shareholder to purchase 2% of the issued share capital in Hill and Knowlton at any time from 31st December 2011 at fair value calculated on multiple of earnings.

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

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

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

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

14.(b) INVESTMENT IN JOINT VENTURE

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

The company's investment in the joint venture comprises:

	2009 Sh'000	2008 Sh'000
Investment in joint venture at cost	6,125	6,125
Loan advanced	8,575	8,575
Total	14,700	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.

	2009 Sh'000	2008 Sh'000
Statement of financial position items		
Current assets	62,244	24,814
Non-current assets	5,650	6,069
Current Liabilities	9,392	18,589
Non- current liabilities	3,585	8,575
Profit and Loss items		
Income (included under Revenue)	79,933	28,527
Expenses	51,315	30,933

15. 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	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Accelerated capital allowances	54	(790)	743	326
Unrealised exchange losses/ (gains)	1,232	(939)	1,661	700
Carried forward tax losses	1,886	1,025	-	-
Provisions	4,215	585	563	-
	7,387	(119)	2,967	1,026
The movement on the deferred tax account is as follows:				
At beginning of period - (liability)/asset	(119)	3,583	1,026	341
Credit/ (charge) for the year - (note 8)	7,497	(1,530)	1,941	685
Effect of exchange rates	9	(2,172)	-	-
At end of period - asset/ (liability)	7,387	(119)	2,967	1,026

16. GOODWILL

	2009 Sh'000	2008 Sh'000
Cost	83,548	77,451
Additional amounts recognised during the year	-	6,097
	83,548	83,548

The directors are of the opinion that goodwill is not impaired.

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Trade	2,147,621	2,137,435	665,567	554,802
VAT Recoverable	232,710	193,428	71,897	72,222
Interest receivable on infrastructure bond	22,260	-	22,260	-
Staff receivables	21,184	14,162	3,121	966
Other receivables and prepayments	36,770	20,597	37,550	5,154
	2,460,545	2,365,622	800,395	633,144

18. RELATED PARTIES

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.

	GROUP		COMPANY	
	2009	2008	2009	2008
	Sh'000	Sh'000	Sh'000	Sh'000
(a) Balances due from related companies				
Due from Subsidiaries	-	-	230,654	574,305
Due from affiliates of Joint Venture	11,994	6,218	-	-
	11,994	6,218	230,654	574,305
(b) Loan due from subsidiary company				
Loan to subsidiary company	-	-	10,195	-
(c) Loan due to related companies				
Due to other shareholder in Hill & Knowlton East Africa Limited	9,795	-	-	-
(d) Other balances due to related parties				
Due to Subsidiaries	-	-	29,368	42,310
Due to affiliates of Joint Venture	18,400	8,983	-	-
	18,400	8,983	29,368	42,310
(e) Transactions with related parties				
The following transactions were carried out with related companies:				
Sale of services-Joint Venture	10,274	559		
Purchase of services	-	985		

	2009	2008
Remuneration of Directors and key management compensation The remuneration of directors and other members of key management during the period were as follows:	Sh' 000	Sh' 000
Salaries and other benefits	297,683	268,019
Director's remuneration (included in key management compensation above)		
Fees for services as directors: non executive directors	1,880	1,790
Other emoluments to executive directors	66,215	56,190
	68,095	57,980

19. 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.

20. SHORT TERM DEPOSITS - GROUP AND COMPANY

	2009 Sh'000	2008 Sh'000
Fixed deposits with banks	286,266	802,557
Call deposits with banks	211,112	146,724
	497,378	949,281

The term deposits are for duration of 3 months.

The effective interest earned on the fixed deposits in 2009 was 9 % (2008: 9%) while the effective interest rate on the call deposits was 7% (2008:7%).

21. SHARE CAPITAL

	2009 Sh'000	2008 Sh'000
Authorised share capital:		
Ordinary shares 240,690,000 of Sh 1 each	240,690	240,690
Issued and fully paid share capital:		
Ordinary shares 220,689,655 of Sh 1 each	220,690	220,690

	2009		2008	
	Number of Shares	Sh'000	Number of Shares	Sh'000
At beginning of year	220,690	220,690	160,000	160,000
New share issue	-	-	60,690	60,690
At end of year	220,690	220,690	220,690	220,690

On 24 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 shareholders have given approval for the company to allot and issue ordinary shares to the Trustees of Employee Share Ownership Scheme (ESOP), from time to time, not exceeding 15 million 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 grant.

Share option units outstanding at the end of the year amounted to 8,146,470 (2008: 8,146,470) with the following expiry dates and exercise prices. No options were exercised during the year. 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		

22. NON CONTROLLING INTEREST - GROUP

	2009 Sh'000	2008 Sh'000
At 1 January	18,382	16,125
Share of profit for the year	2,648	8,767
Dividend paid	(7,791)	(6,510)
Translation adjustment	(857)	-
At 31 December	12,382	18,382

23. FINANCE LEASES

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Minimum lease payments				
Payable within one year	2,484	2,384	843	843
Payable after one year but within five years	2,082	6,052	1,053	1,896
	4,566	8,436	1,896	2,739
Future finance charges	(736)	(2,730)	(178)	(515)
	3,830	5,706	1,718	2,224
Present value of minimum lease payments				
Payable within one year	2,005	1,760	669	588
Payable in the second to fifth year	1,825	3,946	1,049	1,636
	3,830	5,706	1,718	2,224

The average finance lease period is 4 years. The weighted effective interest rate at 31 December 2009 was 14% (2008: 14%).

(Note 23 Finance Leases continued)

The finance leases are for purchase of motor vehicles.

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
At the beginning of the year	5,706	4,828	2,224	-
New financing received	-	2,617	-	2,617
Repaid during the year	(1,876)	(1,739)	(506)	(393)
	3,830	5,706	1,718	2,224

24. BANK OVERDRAFT

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 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 debentures 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.

There were no borrowings during the year hence the effective interest rate on the bank overdraft was nil (2008 - 11.62%).

25. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Trade payables	1,418,731	1,473,953	605,501	605,036
Other payables	62,335	42,377	11,300	6,509
Leave pay provision	10,548	-	2,814	-
VAT payable	16,764	-	-	-
	1,508,378	1,516,330	619,615	611,545

26. DIVIDENDS PAYABLE

	2009 Sh'000	2008 Sh'000
At 1 January	4,497	4,841
Dividends declared		
Parent company shareholders	135,779	144,000
Minority shareholders in subsidiary	7,791	6,510
Dividends paid	(140,449)	(150,854)
At 31 December	7,618	4,497

27. NOTES TO THE CASH FLOW STATEMENT

	2009 Sh'000	2008 Sh'000
(a) Reconciliation of operating profit to cash generated from operations		
Profit before taxation	544,100	436,755
Depreciation (Note 12(a))	27,685	27,917
Gain on disposal of equipment	1,492	235
Interest income from investments	(92,221)	-
Operating profit before working capital changes	481,056	464,907
Increase in trade and other receivables	(72,663)	(812,074)
Decrease/ (increase) in work-in-progress	20,444	(27,145)
(Decrease)/increase in trade and other payables	(7,952)	376,025
Movements in related party balances	3,641	2,765
Cash generated from operations	424,526	4,478
(b) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position		
Cash in hand	3,644	2,000
Bank balances	175,746	159,375
Short-term deposits (Note 20)	497,378	949,281
Bank overdraft (Note 24)	-	(145,965)
	676,768	964,691
(c) Analysis of equipment additions (Note 12(a))		
Acquired in cash	35,038	58,187
Acquired through hire purchase financing	-	2,617
	35,038	60,804

28. RETIREMENT BENEFIT OBLIGATIONS

The Group makes contributions to a defined contribution scheme in Kenya and statutory defined contribution schemes the National Social Security Fund in the three East African countries. Contribution to the Group plan are determined by the rules of the plan and totalled Sh 14,657,000 (2008: Sh 4,394,000) in the year. Contributions to the statutory schemes are determined by local statutes. For the year ended 31 December 2009, the Group contributed Sh 17,704,000 (2008 - Sh 14,298,000) to the statutory schemes.

29. OPERATING LEASE COMMITMENTS

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

	2009 Sh'000	2008 Sh'000
Within 1 year	53,873	47,776
Within 2 to 3 years	113,980	156,101
	167,853	203,877

30. CONTINGENT LIABILITIES

	2009 Sh'000	2008 Sh'000
Pending claims	23,691	8,010

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.

31. 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 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 shareholder.

(Note 31 Risk Management Policies continued)

Gearing ratio

The gearing ratio at the year end was as follows:

	2009 Sh'000	2008 Sh'000
Share capital	220,690	220,690
Share premium	1,328,105	1,328,105
Revenue reserves	780,519	517,798
Revaluation reserve	34,432	-
Translation reserve	(9,906)	(5,511)
	2,353,840	2,061,082
Non-controlling interest	12,382	18,382
Total equity	**2,366,222**	**2,079,464**
Cash and cash equivalents	676,768	1,110,656
Less: Borrowings	(3,830)	(151,671)
Positive cash and cash equivalents	**672,938**	**958,985**
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 statement of financial position 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 2009 is made up as follows:

(Note 31 Risk Management Policies continued)

	Fully performing Sh'000	Past due Sh'000	Total Sh'000
31 December 2009			
Bank balances	175,746	-	175,746
Trade Receivables	1,742,826	404,795	2,147,621
Short term deposits	497,378	-	497,378
Infrastructure bond	528,997	-	528,997
	2,944,947	404,795	3,349,742
31 December 2008			
Bank balance	159,375	-	159,375
Trade Receivables	1,636,033	501,402	2,137,435
Short term deposits	949,281	-	949,281
	2,744,689	501,402	3,246,091

Trade receivable that are past due are not impaired. Out of the total past due amount of Sh 404,795,000 (2008:501,402,000) a sum of Sh 265,875,000 (2008: Sh 211,642,000) has been settled subsequently since the end of reporting period (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 24 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 end of reporting period 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.

(Note 31 Risk Management Policies continued)

	Less than 1 month Sh'000	Between 1-3 months Sh'000	Over 3 months Sh'000	Total Sh'000
As at 31 December 2009				
Borrowings - bank overdraft	-	-	-	-
Finance lease	198	397	3,971	4,566
Trade payables	739,193	679,538	-	1,418,731
	739,391	679,935	3,971	1,423,297
As at 31 December 2008				
Borrowings - bank overdraft	145,965	-	-	145,965
Finance lease	198	397	7,841	8,436
Trade payables	819,243	654,710	-	1,473,953
	965,406	655,107	7,841	1,628,354

(iii) Market and currency risk

Interest rate risk

Interest rate risk arises primarily from investment in fixed interest securities and bank borrowings. The Group has adequate cash for working capital purposes and exposure to interest rate risk as a result of borrowings will arise if in future the Group does not have adequate cash to meet short term contingencies and is required to use external sources of funds. 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)	
	2009 Sh'000	2008 Sh'000
Bank Overdraft		
1% point increase in interest rates	-	(2,467)
1% point decrease in interest rates	-	2,467
Fixed Deposits		
1% point increase in interest Rates	5,156	1,586
1% point decrease in interest Rates	(5,156)	(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. This risk is insignificant.

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

(Note 31 Risk Management Policies continued)

(iv) Fair value of financial assets and liabilities

Financial instruments measured at fair value

a) Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2009

	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	TOTAL Sh'000
Financial Assets				
Infrastructure bond	528,997	-	-	528,997

There were no transfers between levels 1, 2 and 3 during the year.

32. INCORPORATION

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

33. CURRENCY

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

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