SCANGROUP

AFRICA>>

2011 ANNUAL REPORT

SCANGROUP LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS

CONTENTS

Vision

To be the Leading Marketing
Services Company in
Sub-Saharan Africa

Mission

To add outstanding value to our clients
and shareholders and have fun doing it

NOTICE OF THE ANNUAL GENERAL MEETING 2012

Notice is hereby given that the 2012 Annual General Meeting of Scangroup Limited will be held at the Bomas of Kenya, Langata Road, Nairobi, Kenya on Thursday 31 May 2012 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 31 December 2011 together with the reports of the Directors and Auditors thereon.
3. To consider and approve a first and final dividend totaling Sh. 199,352,390 being Sh. 0.70 per share for the year ended 31 December 2011 payable on or about 30 June 2012 to Shareholders on the Register of Members at the close of business on 31 May 2012.
4. To approve the remuneration of the Directors as provided in the accounts for the year ended 31 December 2011.
5. To re-elect Director:
   In accordance with Article 93 of the Company's Articles of Association, Mr. David Hutchison retires by rotation 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.

SPECIAL BUSINESS
To consider and, if thought fit, pass the following Ordinary Resolution:

7. THAT Article 91 of the Company's Articles of Association be amended to increase the maximum number of Directors from seven to nine so as to read as follows:
   "Unless and until otherwise from time to time determined by an ordinary resolution of the Company, the number of Directors (excluding alternates) shall not be less than Five (5) nor more than Nine (9) in number. If at any time the number of Directors falls below the minimum number fixed by or in accordance with these Articles, the remaining Directors may act for the purpose of convening a general meeting or for the purpose of bringing the number of Directors to such minimum, and for no other purpose."

By Order of the Board

Margaret M. Kipchumba
Company Secretary
17April 2012
Nairobi

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A Proxy Form may be downloaded from the Company's website, www.scangroup.biz, or obtained from the Registrar, Comprite Kenya Limited, 8th Floor, Rehani House, Kenyatta Avenue, Nairobi – P.O. Box 63428-00619 Nairobi. To be valid, a Proxy Form must be duly completed by a Member and must either be lodged with the Registrar at the above given address or posted so as to reach the Registrar not later than 11.00 a.m. on Tuesday 29 May 2012.
2. In accordance with Articles 152 & 148 of the Company's Articles of Association, the Annual Report and financial statements may be viewed on the Company's website, www.scangroup.biz, or obtained from the Registrar's office at the address given above.
3. Registration of Members and proxies attending the Annual General Meeting will commence at 8 a.m. on 31 May 2012 and will close at the conclusion of the meeting. Members and proxies will be required to produce a national identity card, a passport or other acceptable means of identification. CDS account numbers or Member numbers will also be required for ease of the registration process.
4. Courtesy transport will be provided for Members on the day of the meeting between 7.30 a.m. to 10.15 a.m. from town (pick-up and drop-off points: behind Kencom House - Moi Avenue, Nairobi) to the venue of the meeting and back to town at the conclusion of the meeting.

BOARD OF DIRECTORS

David Hutchison

Chairman and Independent Non-Executive Director

David, age 67, is a Certified Public Accountant and formerly 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 ICEA Lion General and Life companies, East Africa Reinsurance Company Limited, East African Packaging Industries Limited (Chairman), Prime Bank Limited, Synresins Limited, and Chairman of a number of companies within The Banda educational and property groups.

Bharat Thakrar

Chief Executive Officer

Bharat, age 60, is the founder shareholder of Scangroup and a Director of all Scangroup subsidiaries and has over 38 years working experience in the Advertising and Communications industry. He holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation - UK. He is a former Chairman of the Advertising Practitioners Association (APA) and is a member of the Advertising Standards Board in Kenya. He has undergone various Executive Management Courses including one at the Harvard Business School.

Richard Omwela OGW

Independent Non-Executive Director

Richard, age 56, holds a Bachelor of Honours Degree in Law (LLB) Upper Class Division from the University of Nairobi, a Diploma in Law from the Kenya School of Law 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 the Chairman of Nairobi Airport Services Limited (NAS), and is a member of the Board of Directors of ABC Bank Limited, Solio East Africa, The Monarch Insurance Company Limited, Genesis Kenya Investments Limited and Octagon Pension Services Limited.

Muchiri Wahome

Independent Non-Executive Director

Muchiri, age 49, has over 21 years of retail experience and is currently the Chief Executive Officer of Deacons Group of Companies. 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 Scott

Non-Executive Director

Andrew, age 43, 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 LEKConsulting. He holds an MBA with distinction from INSEAD.

BOARD OF DIRECTORS - CONTINUED

Laurence Mellman

Non-Executive Director

Laurence, age 46, is Director of Special Projects at WPP. He has worked at WPP since 1996 and has undertaken a number of roles in both the parent company and in the operating companies. Currently Laurence is also Chief Operating Officer at The United Network, an advertising agency network within WPP with agencies in Europe and the United States. Prior to joining WPP, Laurence trained as a Chartered Accountant with Price Waterhouse in London and Manchester, qualifying in 1991. Laurence holds a degree in Commerce and Accounting from the University of Birmingham in the UK. He was appointed to the board on 17th April 2012.

Manish Shah

Finance Director

Manish, age 38, is a member of the Institute of Certified Public Accountants of Kenya and The Institute of Chartered Accountants of India. He holds a Bachelor of Commerce Degree from University of Bombay and a Diploma in Information & System Management from APTECH Computer Education. He has a wealth of experience spanning 13 years in advertising and marketing industry having worked with the French advertising group Publicis in India prior to joining Scangroup in 2003.

Margaret Muhuni-Kipchumba

Company Secretary

Margaret, age 38, joined Scangroup as Head of Legal and Company Secretary in 2009 and also serves on the Boards of the 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.

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

We are pleased to present the annual report for Scangroup Limited for the year ended 31 December 2011.

Economy

The GDP growth for 2011 is expected to be in the region of 4.7% as compared to 5.6% in 2010. The latest statistics available show that the economy grew by 4.27% in the first three quarters of 2011 compared to 4.9% for the similar period in 2010 .

The decline in growth was attributed to, amongst other factors, the sharp rise in oil and food prices, drought in the Horn of Africa and the overall global economic scenario precipitated by the Euro crisis. The sharp rise in oil prices emanated from supply disruption associated with political unrest in a number of oil producing countries in the Middle East, while the increase in food prices resulted mainly from supply constraints and rises in global commodity prices. The drought only marginally affected Kenya's agricultural production, but severely affected communities dependent on livestock. Below normal rainfall resulted in higher power costs as hydropower production declined, with adverse impact on the competitiveness of the industrial sector.

The 12-month overall inflation increased from 4.51% in 2010 to 18.93% in 2011. The effects of the high inflation were felt in the whole spectrum of the economy. The Kenya Shilling depreciated to its lowest level and crossed the Sh. 100 mark in October to the United States Dollar. The Central Bank of Kenya increased the Central Bank Rate (CBR) in order to stabilize the shilling and rein in on inflation. The CBR increased from 7% in August to 18% by December. The obvious effect was a general increase in the interest rates with the bench mark 91-day Treasury bill rising to 18.3% at end of December. The Nairobi Securities Exchange all share index (NASI) dipped 30.5% from 97.8 at the close of December 2010 to 68 at the close of 2011 with most local investors shifting to fixed income securities. As a result, the economy slowed down significantly.

2012 Outlook

2012 has started on a positive note. The monetary policy measures instituted in 2011 are yielding the desired results as depicted by declining inflation that stood at 15.61% at the end of March 2012, the exchange rate stability sustained at Sh. 83 to the United States dollar and the interest rates have started declining. The Nairobi Securities Exchange has also started on a positive note and the overall NASI has registered an 8% recovery in the first quarter of 2012. There are indeed positive sentiments and the economy is expected to grow by 4.5%.

2012 will also witness election year activities as the country prepares to hold the first general elections, post the new constitution, in March 2013. The elections are expected to usher in not only a new national government but a new system of devolved governance.

Industry Performance - Kenya

In 2011, Advertising media exposure (ADEX) in Kenya as measured by Ipsos grew by 33% to Shs. 65.44billion. Of this spend, 59% (2010: 45%) was booked by clients directly with media houses whilst 41% (2010: 55%) was booked through agencies. The increase in direct media booking is mainly attributed to the Government of Kenya media exposure which saw it ranked the second highest in 2011 . Scangroup along with its subsidiaries share of ADEX was 32.8%.

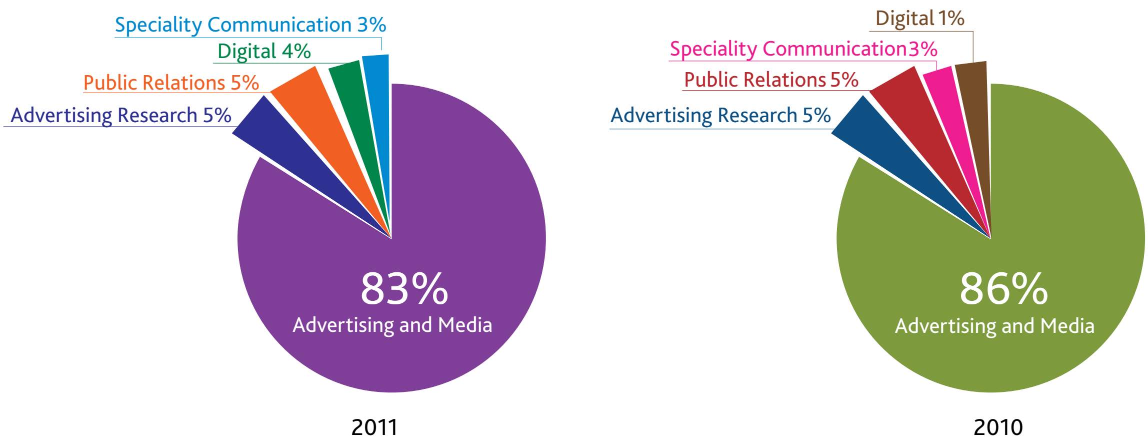
LETTER TO THE SHAREHOLDERS - CONTINUED

Company's Financial Performance

The 2011 consolidated results include the full year results for Ogilvy subsidiaries acquired in October 2010 and the results of Ogilvy Africa which started operating from July 2010. Our billings marginally grew by 4% whilst revenues grew by 53%. In our business, billings do not necessarily have a correlation with revenues since more than 50% of our revenues are from retainer fees and are not pegged to the level of client spend on media advertising.

Kenya is still our primary market in terms of contribution, however, the dependence on Kenya continues to reduce as it contributed 59% of the total revenues compared to 71% in 2010. This was mainly due to higher revenue contribution from Pan-African markets.

The charts set out below shows the revenue contribution by discipline.



Advertising and Media contributed 83% of the revenue in 2011 and grew by 23%. Speciality Communication contributed 3% of revenues and grew by 19%. Public Relations and Research business contributed 5% each and the Digital businesses contributed 4%. Thus, the total contribution from Below-The-Line disciplines was 17% of the total revenues compared to 14% in 2010, mainly driven by over 100% growth in the Digital business.

Profit Before Tax crossed the Sh. 1 billion mark to Sh. 1,280 million from Sh. 838 million in 2010 registering a 52.79% growth. Profit Before Tax includes investment income and exchange gain of Sh. 200.10 million (2010: Sh. 178.22 million). The investment income includes gain on sale of Government of Kenya securities of Sh.46.14 million (2010: Sh. 83.65 million).

The Company's basic earnings per share grew by 20% to Sh. 2.55 per share from Sh. 2.13 per share in 2010 after considering the dilution in equity due to bonus shares issued in 2011 in the ratio of 1:5 and the new shares issued under the Employee Share Ownership Plan (ESOP). The five years Group's performance is set out on page 12.

Proposed Dividend

Your Board has recommended for approval at the Annual General Meeting the payment of the first and final dividend of Sh. 0.70 per share amounting to Sh. 199,352,390 for the year ended 31 December 2011 in respect of 284,789,128 shares in issue (2010: Sh. 0.70 per share amounting to Sh. 166,127,025 in respect of 237,324,321 shares). In effect, the total dividend payout will increase by 20% due to an additional pay out of Sh. 33.23 million on ESOP and Bonus shares issued in January and June 2011 respectively. While recommending the dividend, the Board has considered the group's future working capital requirements. A large amount of our working capital is tied up in VAT refund claims, which still remains a concern for us as the time taken by Kenya Revenue Authority in processing these claims is unduly long.

Sub-Saharan Africa Expansion

We are on course with our long term strategy to expand in Sub-Saharan Africa and to build client specific teams to provide best global practices across all disciplines.

In October 2011 the Company established two entities in Ghana; Scanad Ghana Limited and Ogilvy Ghana Limited. The two entities took over the existing advertising and promotional business of Media Majique & Research Systems Limited which previously traded as MMRS Ogilvy and Ogilvy Africa Media Limited. The entry in Ghana increases our footprint in West Africa and will enable us to service our Pan-African clients better with in-market infrastructure.

In October 2011, we launched Scanad Rwanda Limited in Rwanda to provide advertising and marketing communications services for our clients. In April 2012, we extended the Millward Brown West Africa footprint by launching Millward Brown Nigeria.

Board

On April 17 2012, Mr. Laurence Mellman was appointed by the principal and strategic shareholder - Cavendish Square Holding BV, under Article 92 of the Company's Articles of Association to replace Mr. Christopher Sweetland. Mr. Mellman is a Chartered Accountant and a Director of Special Projects at WPP plc. He is currently the Chief Operating Officer of United Network and Redcell Network within WPP. In this role, he has management responsibility for a number of advertising agencies in the US, Europe and Africa. The Board of Scangroup wishes to take this opportunity to thank Mr. Sweetland for his contribution to the Company and welcome Mr. Mellman to Scangroup.

The Directors who held office in 2011 and upto the date of this report are listed on page 14.

Our People

Our success is largely due to the dedicated and committed staff in our various agencies. We have in place performance based measures to motivate and allow our people to benefit from the business success they are contributing to. Towards this end, the Employee Retention Scheme was introduced in 2011 under which key talent is offered shares in the Company on terms approved by the Nominating and Remuneration Committee.

The focus on Human Resource Strategy has now moved to a more diversified global approach with talent sourcing being enhanced to cover a wider geographical network. We have intensified our search for top talent by partnering with WPP and international recruitment firms to identify world class talent. Our Reward & Retention strategy has been enhanced to have a competitive employee value proposition which focuses on remuneration based on performance as well as identifying key motivation factors which include training, development and career progression.

Corporate Governance

The Board and its committees viz the Audit & Risk Management Committee and the Nominating and Remuneration Committee hold regular meetings to exercise oversight on the Company's financial activities, internal controls, risk management practices and human resource management. Recognizing the important role Information Communication Technology has in the Group's business, the Board in 2012 constituted the Board IT Oversight Committee that will oversee systems development and implementation in the Group.

A statement on corporate governance is set out on page 9.

Corporate Social Responsibility

The Group remains committed to being a responsible corporate citizen and giving back to the disadvantaged and underprivileged. Towards this end, our agencies have taken part in various initiatives some of which are highlighted below:

Childlife Trust – Children's Voices

In our continued support for The Childlife Trust, SCANAD Kenya was actively involved in the development of communication materials for the Children's Voices Conference. Held every year, the conference is 'by the children of Kenya, for the children of Kenya to the leaders of Kenya' and gives children a forum to discuss issues they perceive pertinent to securing their future. Last year's conference theme was dubbed 'Reading for Fun' and challenged key stakeholders to address the fast fading reading culture in today's society.

Support for IL-Masin School

IL-Masin Primary school is located in Kajiado North. As a District Education Board School, its support from the Government is limited to provision of teachers. The immediate need facing the schools' administration was the school feeding programme which was under serious threat from diminishing food stocks. Ogilvy Kenya agencies donated food and other items including cooking utensils and has pledged to provide piping to enable the school tap water from a nearby church. This will not only improve hygiene in the school but also enable them to grow their own food for self-sustenance.

ICT Kenya Trust Fund

As part of our continued support in mobilizing resources for modernization of education and training programs critical for Kenya to be a knowledge – based economy as envisioned in Vision 2030, Scangroup donated computer hardware and accessories to the Kenya ICT Trust Fund. The equipment was distributed through the Trust Fund to schools and learning institutions in various parts of the country including Aldai, Kitengela, Lari and Eldama Ravine.

Kenyans for Kenya Campaign

The Company also participated in this hugely successful campaign that galvanized Kenyans to raise approximately Sh. 677.7 million in aid in order to address the famine situation facing Northern Kenya.

Appreciation

Finally, we would like to thank and congratulate our people who contributed in achieving the results, the Board for their support, and our Shareholders, for your continued confidence in the Company. Our clients remain the backbone on which we build our growth strategy and for this we are truly thankful and remain steadfast in our commitment to supporting them by offering best in class marketing services.

David Hutchison
Chairman

Bharat Thakrar
CEO

17 April 2012

CORPORATE GOVERNANCE

CORPORATE GOVERANCE STATEMENT

The Board of Directors is responsible for good corporate governance of the Company and attaches great importance to the need to conduct business and operations of the Company with integrity, transparency and accountability. The Board is committed to complying with legislation, regulation and best practice and has in particular adopted the Capital Markets Authority guidelines on corporate governance practices by public listed companies in Kenya.

Board and Directors

The Board comprises of two executive Directors, Mr. Thakrar and Mr. Shah and five non-executive Directors, three of whom, Mr. Hutchison, Mr. Omwela and Mr. Wahome, are independent. The independent directors ensure that independent thought is brought to bear on Board decisions and have no management or business relationships with the Company that could influence their independence. Mr. Scott and Mr. Mellman are appointed by Cavendish Square Holding BV in accordance with the Company's Articles of Association.

All the directors except the executive directors and the directors appointed by Cavendish Square Holding BV are required to retire at regular intervals and may offer themselves for re-election.

The Directors who held office during the year under review and to the date of this report are listed on page 14.

The Board retains effective control over the Company's operations and has established a number of committees to assist in providing detailed attention to specific areas. The Board and committees are supplied with relevant, accurate and timely information to enable them discharge their responsibilities. In addition, their mandates ensure unrestricted access to company information and the ability to obtain expert advice, at the Company's expense whenever necessary. The Committees of the Board are as follows:

Audit & Risk Management Committee

In 2011 and to the date of this report, the Audit & Risk Management Committee met six times. Its membership includes three non-executive directors: Mr. Hutchison (Chairman), Mr. Omwela and Mr. Scott. The Chief Executive Officer, the Finance Director 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 and the internal audit function, identification, assessment and effectiveness of business risk management processes and liaison with the external auditor.

Nominating & Remuneration Committee

The Nominating & Remuneration Committee comprises Mr. Hutchison (Chairman), Mr. Wahome, Mr. Scott and the CEO, Mr. 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 that 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 Group's remuneration and incentive payment programmes. The executive Directors are not present when their remuneration is discussed.

Both committees report to the Board at each meeting highlighting matters discussed at their respective meetings and recommended actions.

CORPORATE GOVERNANCE - CONTINUED

Board IT Oversight Committee

Recognizing the important role Information Communication Technology has in the Group's business, the Board in 2012 constituted the Board IT Oversight Committee. This committee will oversee systems development and implementation in the Group. The members of the new committee are Mr. Hutchison and Mr. Wahome. The Chief Information Officer who heads the management IT Steering Committee will attend the meetings on invitation.

Directors Emoluments and Loans

The aggregate amounts of emoluments paid to Directors during 2011 are disclosed on page 36. Loans given to Executive Directors are dislosed on page 45. No loans were given to the non-executive Directors during the year. Directors' interest in the shareholding of the Company is set out on page 11.

Internal Controls

The Group has defined procedures and financial controls to ensure complete and accurate reporting of financial information and has recently upgraded its management information system to provide financial and operational performance measurement indicators. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations. Procedures are in place to ensure that there are adequate physical controls over the Company's assets and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the internal control systems, the Board takes cognisance of the results of all the work carried out by the internal auditor or, any other audit, on the activities of the Group.

Business Ethics

Honesty, integrity and respect for all stakeholders are the core values of the Group. These core values determine the way in which the Group does business and are epitomized in the Code of Conduct. The Code of Conduct is also clear on the Group's policy of zero tolerance to bribery and corrupt practices. All employees are required to undergo ethics and anti-bribery training to reaffirm these values.

SHAREHOLDING

SUMMARY OF SHAREHOLDERS AS AT 31 DECEMBER 2011

Category	Number of shareholders	Number of shares held	% of issued share capital
Foreign Investors	316	167,729,717	58.90%
East African Individuals	26,286	77,632,094	27.26%
East African Institutions	1,389	39,427,317	13.84%
Total	27,991	284,789,128	100.00%

Range	Number of shareholders	Number of shares held	% of issued share capital
1 - 500	20,066	7,345,214	2.58%
501 - 1,000	4,314	2,893,247	1.02%
1,001 - 5,000	2,747	5,499,923	1.93%
5,001 - 10,000	355	2,405,378	0.84%
10,001 - 50,000	376	7,203,446	2.53%
50,001 - 100,000	42	3,012,432	1.06%
100,001 - 500,000	61	13,690,694	4.81%
500,001 - 1,000,000	11	8,432,140	2.96%
Above 1,000,000	19	234,306,654	82.27%
Total	27,991	284,789,128	100.00%

TOP 10 INVESTORS AS AT 31 DECEMBER 2011

Rank	Name	Number of shares held	% of issued share capital
1	Cavendish Square Holding BV	82,827,586	29.08%
2	Bharat Thakrar	54,811,360	19.25%
3	Standard Chartered Nominees, Non-Resident A/C 9300	36,316,400	12.75%
4	White, Andrew John Laird	13,706,000	4.81%
5	Ogilvy South Africa (Proprietary) Limited	12,907,856	4.53%
6	Standard Chartered Nominees, Non-Resident A/C 9296	7,032,000	2.47%
7	Standard Chartered Nominees A/C 9230	2,889,800	1.01%
8	Chase Bank (Kenya) Limited	2,811,486	0.99%
9	Buty, Nandkishor Uttam	2,700,000	0.95%
10	Venkataraman, Sunder	2,700,000	0.95%
	Total	218,702,488	76.80%

DIRECTORS' INTEREST IN THE SHAREHOLDING AS AT 31 DECEMBER 2011

	Name	No. of shares
1	David Hutchison	1,200
2	Bharat Thakrar	54,811,360
3	Richard Omwela	500
4	Manish Shah	945,000
	Total	55,758,060
	% of issued share capital	19.58%

FIVE YEARS FINANCIAL PERFOMANCE

SUMMARY OF CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

	2011 Sh '000	2010 Sh '000	2009 Sh '000	2008 Sh '000	2007 Sh '000
Billings	11,763,664	11,363,839	5,920,012	5,789,716	4,773,411
Revenues	3,597,260	2,345,554	1,624,029	1,436,892	1,157,088
Investment Income	139,916	174,100	92,221	14,281	-
Profit Before Taxation	1,280,100	838,396	544,100	436,755	352,814
Tax Charge	(368,984)	(197,811)	(142,952)	(120,966)	(108,381)
Profit After Tax	911,116	640,585	401,148	315,789	244,433
Minority Interest	(186,151)	(61,998)	(2,648)	(8,767)	(7,133)
Profit Available to Scangroup shareholders	724,965	578,587	398,500	307,022	237,300

	Sh	Sh	Sh	Sh	Sh
Basic Earnings Per Share (EPS)*	2.55	2.13	1.49	1.40	1.15
Weighted average number of shares	284.63 million	271.38 million	268.16 million	218.94 million	206.72 million

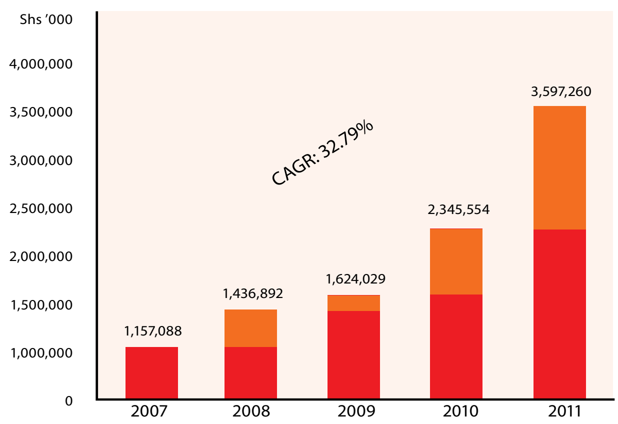
SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	2011 Sh'000	2010 Sh'000	2009 Sh'000	2008 Sh'000	2007 Sh'000
ASSETS					
Non - Current Assets	711,351	891,539	719,703	180,133	141,757
Current Assets	7,778,587	7,117,892	3,213,445	3,580,931	1,611,878
Total Assets	8,489,938	8,009,431	3,933,148	3,761,064	1,753,635
Non Current Liabilities	337,430	191,143	11,620	4,065	3,481
Current Liabilities	3,797,599	4,240,483	1,555,306	1,677,535	1,146,493
Total Equity	4,354,909	3,577,805	2,366,222	2,079,464	603,661
Total Equity and Liabilities	8,489,938	8,009,431	3,933,148	3,761,064	1,753,635

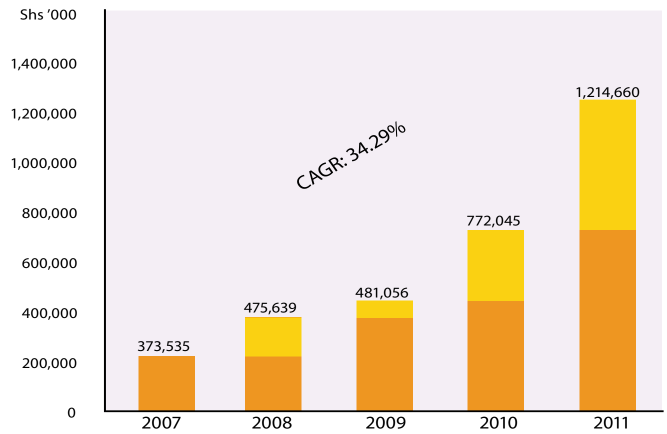
* The EPS is calculated using weighted average number of shares in issue during the year adjusted for Bonus shares issued in 2011.

HISTORICAL TRENDS

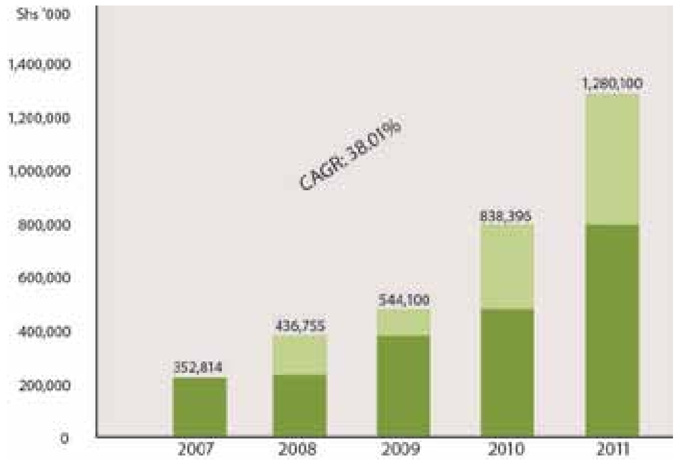
REVENUE



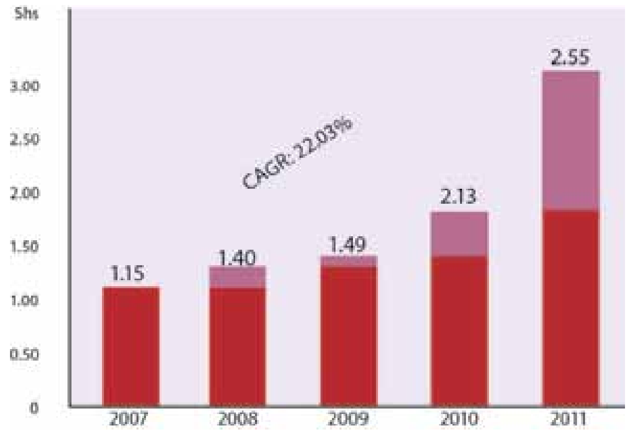
EBITDA



PROFIT BEFORE TAX

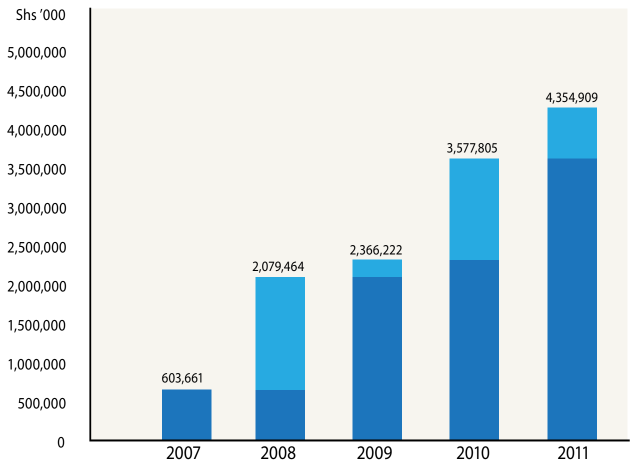


EARNINGS PER SHARE*

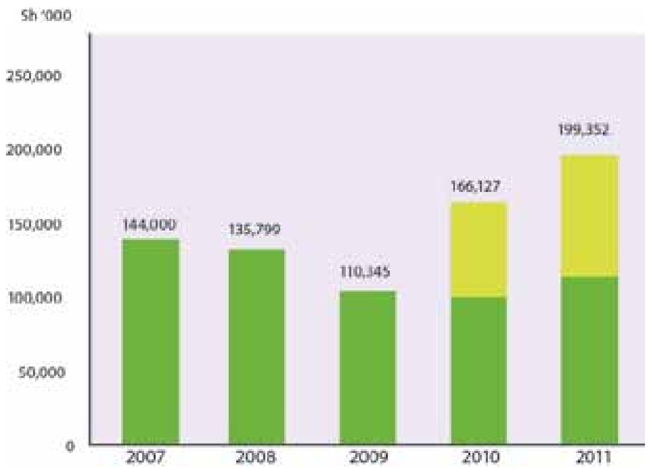


* Restated due to bonus issue in 2011

TOTAL EQUITY



DIVIDENDS PAYOUT



SCANGROUP LIMITED
CORPORATE INFORMATION

DIRECTORS

David Hutchison*	Chairman
Bharat Thakrar	Chief Executive Officer
Manish Shah**	Finance Director
Richard Omwela	Non-Executive Director
Muchiri Wahome	Non-Executive Director
Andrew Scott*	Non-Executive Director
Christopher Sweetland*	Non-Executive Director (replaced on 17 April, 2012)
Laurence Mellman*	Non-Executive Director (appointed on 17 April, 2012)

* British ** Indian

SECRETARY

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

REGISTERED OFFICE

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Valley Road
P.O. Box 34537- 00100 Nairobi
Telephone: +254 (20) 2710021, 2799000

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P.O. Box 40092, 00100
Nairobi

PRINCIPAL BANKERS

CfC Stanbic Bank Limited
Upper Hill Medical Centre Branch
P.O. Box 2492 – 00200 Nairobi

LEGAL ADVISERS

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 63428 – 00619 Nairobi

CORPORATE INFORMATION (Continued)

SUBSIDIARIES AND ASSOCIATES

KENYA

COMPANY	ACTIVITIES
Scanad East Africa Limited	Holding company for Roundtrip Limited, Scanad Tanzania Limited and Scanad Uganda Limited
Scanad Kenya Limited	Advertising agency
J. Walter Thompson Kenya Limited	Advertising agency
McCann Kenya Limited	Advertising agency
Roundtrip Limited	Speciality communication company provides services such as experiential marketing, public relations, activation and event management.
Grey East Africa Limited	Advertising agency
Redsky Limited	Advertising agency
MediaCompete East Africa Limited	Media agency
Hill & Knowlton East Africa Limited	Public Relations agency
Squad Digital Limited	Digital advertising
Smollan EA Limited	Field Marketing
Ogilvy Africa Limited	Advertising agency
Ogilvy Kenya Limited	Advertising agency and holding company for: Ogilvy & Mather (Eastern Africa) Limited Ogilvy Africa Media Limited Blueprint Marketing Limited Ogilvy Public Relations Limited Mindshare Kenya Limited
Ogilvy & Mather (Eastern Africa) Limited	Advertising agency
Ogilvy Africa Media Limited	Advertising agency
Blueprint Marketing Limited	Advertising agency
Ogilvy Public Relations Limited	Public Relations agency
Mindshare Kenya Limited	Media agency
Millward Brown East Africa Limited	Advertising research

TANZANIA

Scanad Tanzania Limited	Advertising agency and holding company for J.Walter Thompson Tanzania Limited.
J.Walter Thompson Tanzania Limited	Advertising agency
Ogilvy Tanzania Limited	Advertising agency

CORPORATE INFORMATION (Continued)

SUBSIDIARIES AND ASSOCIATES (Continued)

UGANDA

Scanad Uganda Limited	Advertising agency

MAURITIUS

Scangroup Mauritius Holdings Limited	Investment Company & holding company of Scangroup(Mauritius)Limited
Scangroup (Mauritius) Limited	Investment company & holding company of Scangroup (Malawi) Limited Scangroup Mozambique Limitada Scangroup West Africa Limited Scangroup (Zambia) Limited Scanad Rwanda Limited MIA Mauritius Limited
MIA Mauritius Limited	Media agency
Media Buying Africa Limited	Investment company & holding company of Scanad Ghana Limited Redsky Angola Limited
Millward Brown Mauritius Limited	Holding company of Millward Brown West Africa and Millward Brown Nigeria
Ogilvy Mauritius Holding Limited	Investment Company & holding Company of Ogilvy Ghana Limited

GHANA

Scanad Ghana Limited	Advertising agency
Ogilvy Ghana Limited	Advertising agency
Millward Brown West Africa	Advertising research

NIGERIA / WEST AFRICA

Scangroup West Africa Limited	Holding company of Media Initiative West Africa, Scanad Marketing Limited and Scanad Public Relations Limited
Media Initiative West Africa	Non-operational
Scanad Marketing Limited	Non-operational
Scanad Public Relations Limited	Non-operational
Millward Brown Nigeria Limited	Advertising research

MALAWI

Scangroup (Malawi) Limited	Media agency

ZAMBIA

Scangroup (Zambia) Limited	Media agency

MOZAMBIQUE

Scangroup Mozambique Limitada	Media agency

CORPORATE INFORMATION (Continued)

SUBSIDIARIES AND ASSOCIATES (Continued)

RWANDA

Scanad Rwanda Limited	Advertising agency

ANGOLA

Redsky Angola Limited	Non-operational

NETHERLANDS

Ogilvy Africa BV	Head office for Ogilvy S.A. Co-ordination Branch

SOUTH AFRICA

Ogilvy S.A. Co-ordination Branch	Advertising agency

DIRECTORS' REPORT

The directors present their report together with the Group's audited financial statements (companies listed on page 15 - 17 form part of the Group) for the year ended 31 December 2011.

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.

MAJOR DEVELOPMENTS DURING THE YEAR

Capital Structure

The share capital of the Company increased during the year as a result of:

a. Issue of bonus shares in the proportion of 1 share for every 5 shares held. The total number of bonus shares issued amounted to 47,464,854 shares; and.

b. Issue of 2,754,250 shares in respect of share options exercised by the employees under the Scangroup Employee Share Ownership Plan.

Expansion in Ghana

During the year, the Company extended its footprint in Ghana by setting up Scanad Ghana Limited and Ogilvy Ghana Limited which acquired business of Media Majique Research Systems Limited and Ogilvy Africa Media Limited in October 2011.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

	Sh'000
Profit before tax	1,280,100
Tax charge	(368,984)
Profit for the year	911,116
Other comprehensive income	5,372
Total comprehensive income	916,488

DIVIDENDS

The directors propose a first and final dividend Sh 0.70 per share totalling Sh 199,352,390 based on 284,789,128 shares in issue (2010: Sh 166,127,025 being Sh 0.70 per share for 237,324,321 shares).

The payment of dividends is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. The proposed dividend is payable to all shareholders listed on the Register of Members as at 31 May 2012. Dividend payment will be subject to withholding tax, where applicable.

DIRECTORS

The list of current members of the Board of Directors are set out on page 14. Mr David Hutchison retires by rotation under the provisions of Article 93 of the Articles of Association and being eligible offers himself for re-election.

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
Margaret Muhuni-Kipchumba
Secretary
17 April 2012, Nairobi

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and its subsidiaries as at the end of the financial year and of their operating results 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 company and its subsidiaries. They are also responsible for safeguarding the assets of the Group.

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

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 company and its subsidiaries and of their operating results. The directors further accept responsibility for the maintenance of accounting records, which have been relied upon in the preparation of financial statements, as well as for adequate systems of internal financial control.

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

David Hutchison
Director

Bharat Thakrar
Director

17 April 2012

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCANGROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Scangroup Limited and its subsidiaries, set out on pages 21 to 54 which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act and, for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view 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 2011 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.

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)

17 April 2012

Nairobi

Partners: S. O. Onyango F. O. Aloo H. Gadhoke* N. R. Hira* B. W. Irungu I. Karim J. M. Kiarie D. M. Mbogho A. N. Muraya J. Nyang'aya J. W. Wangai
* British

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	Notes	2011 Sh'000	2010 Sh'000
Billings	3	11,763,664	11,363,839
Direct costs		(8,166,404)	(9,018,285)
Revenue	3	3,597,260	2,345,554
Other income		12,842	899
Administrative expenses		(2,291,242)	(1,515,076)
Operating expenses		(238,862)	(171,200)
Investment income	4	139,916	174,100
Foreign exchange gain		60,186	4,119
Profit before tax	5	1,280,100	838,396
Tax charge	7	(368,984)	(197,811)
Profit for the year	8	911,116	640,585
Other comprehensive income:			
Exchange difference on translating foreign operations		5,372	5,684
Fair value gains on financial assets (available for sale)	13	-	22,141
Total other comprehensive income		5,372	27,825
Total comprehensive income		916,488	668,410
Profit attributable to:			
Equity holders of the parent company		724,965	578,587
Non-controlling interests	22	186,151	61,998
		911,116	640,585
Total comprehensive income attributable to:			
Equity holders of the parent company		730,380	606,412
Non-controlling interests		186,108	61,998
		916,488	668,410
		Sh	Sh
Basic earnings per share	9	2.55	2.13
Diluted earnings per share	9	2.55	2.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Notes	2011 Sh'000	2010 Sh'000
ASSETS			
Non current assets			
Equipment	11(a)	294,593	221,491
Intangible assets	12	25,060	-
Kenya government securities	13	-	265,818
Deferred tax asset	15	76,027	88,559
Goodwill	16	315,671	315,671
		711,351	891,539
Current assets			
Tax recoverable	7(c)	134,187	30,646
Trade and other receivables	17	4,956,901	4,822,688
Due from related parties	18(a)	6,687	3,082
Work-in-progress	19	32,072	61,672
Short-term bank deposits	20	1,971,143	1,512,547
Cash and bank balances		677,597	687,257
		7,778,587	7,117,892
Total assets		8,489,938	8,009,431
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21(a)	284,789	234,570
Share premium		1,754,388	1,680,666
Revenue reserve		1,807,599	1,248,761
Investments revaluation reserve		-	56,573
Foreign currency translation reserve		1,193	(4,222)
Equity settled employee benefits reserve	21(b)	-	40,625
Equity attributable to equity holders of the holding company		3,847,969	3,256,973
Non controlling interests	22	506,940	320,832
Total equity		4,354,909	3,577,805
Non current liabilities			
Deferred tax liability	15	-	3,694
Loan due to a related party	18(b)	337,430	186,937
Finance leases	23	-	512
		337,430	191,143
Current liabilities			
Tax payable	7(c)	164,497	69,767
Due to related parties	18(d)	-	642
Finance leases	23	-	2,394
Bank overdraft	24	-	21,152
Trade and other payables	25	3,623,330	4,140,532
Dividends payable	26	9,772	5,996
		3,797,599	4,240,483
Total equity and liabilities		8,489,938	8,009,431

The financial statements on pages 21 to 54 were approved and authorised for issue by the Board of Directors on 17 April 2012 and were signed on its behalf by:

David Hutchison
Director

Bharat Thakrar
Director

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Notes	2011 Sh'000	2010 Sh'000
ASSETS			
Non current assets			
Equipment	11(b)	95,555	72,790
Kenya government securities	13	-	265,818
Investment in subsidiaries	14(a)	817,212	811,076
Investment in joint venture	14(b)	6,129	6,129
Long term loan to subsidiary and joint ventures	18(c)	120,589	51,315
Deferred tax asset	15	22,140	22,508
		1,061,625	1,229,636
Current assets			
Trade and other receivables	17	728,722	1,021,245
Due from related parties	18(a)	650,108	103,106
Tax recoverable	7(c)	22,229	-
Work-in-progress	19	-	22,444
Short-term deposits	20	983,726	1,312,547
Cash and bank balances		-	9,675
		2,384,785	2,469,017
Total assets		3,446,410	3,698,653
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21(a)	284,789	234,570
Share premium		1,754,388	1,680,666
Revenue reserve		469,972	476,145
Investments revaluation reserve		-	56,573
Equity settled employee benefits reserve	21(b)	-	40,625
Total equity		2,509,149	2,488,579
Current liabilities			
Tax payable	7(c)	-	11,726
Due to related parties	18(d)	-	114,978
Trade and other payables	25	927,489	1,077,374
Dividends payable	26	9,772	5,996
		937,261	1,210,074
Total equity and liabilities		3,446,410	3,698,653

The financial statements on pages 21 to 54 were approved and authorised for issue by the Board of Directors on 17 April 2012 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 2011

	Share capital	Share premium	Revenue reserve	Investment revaluation reserve	Foreign currency translation reserve*	Equity settled Employee benefits reserve	Attributable to equity holders of the parent	Non controlling interests	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
At 1 January 2010	220,690	1,328,105	780,519	34,432	(9,906)	-	2,353,840	12,382	2,366,222
Profit for the year	-	-	578,587	-	-	-	578,587	61,998	640,585
Other comprehensive income	-	-	-	22,141	5,684	-	27,825	-	27,825
	-	-	578,587	22,141	5,684	-	606,412	61,998	668,410
Dividend declared - 2009	-	-	(110,345)	-	-	-	(110,345)	-	(110,345)
Shares issued (note 21(a))	13,880	352,561	-	-	-	-	366,441	-	366,441
Non controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	-	246,452	246,452
Recognition of share based payments	-	-	-	-	-	40,625	40,625	-	40,625
At 31 December 2010	234,570	1,680,666	1,248,761	56,573	(4,222)	40,625	3,256,973	320,832	3,577,805
At 1 January 2011	234,570	1,680,666	1,248,761	56,573	(4,222)	40,625	3,256,973	320,832	3,577,805
Profit for the year	-	-	724,965	-	-	-	724,965	186,151	911,116
Other comprehensive income	-	-	-	-	5,415	-	5,415	(43)	5,372
	-	-	724,965	-	5,415	-	730,380	186,108	916,488
Dividend declared - 2010	-	-	(166,127)	-	-	-	(166,127)	-	(166,127)
Shares issued (note 21(a))**	2,754	121,187	-	-	-	(40,625)	83,316	-	83,316
Issue of bonus shares	47,465	(47,465)	-	-	-	-	-	-	-
Disposal of Available for sale investments	-	-	-	(56,573)	-	-	(56,573)	-	(56,573)
At 31 December 2011	284,789	1,754,388	1,807,599	-	1,193	-	3,847,969	506,940	4,354,909

* Foreign currency translation reserve relates to exchange differences arising on consolidation of net assets of foreign subsidiaries.

** The company issued 2,754,249 new shares under the Employee Share Ownership plan at Sh 30.25 per ordinary share having par value of Sh 1.00 each. Share premium also includes Sh'000 40,625 capitalised from Equity Settled Employee Benefits Reserve.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share Premium account	Revenue reserve	Investments revaluation reserve	Equity settled employee benefits Reserve	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
At 1 January 2010	220,690	1,328,105	278,234	34,432	-	1,861,461
Profit for the year	-	-	308,256	-	-	308,256
Other comprehensive income	-	-	-	22,141	-	22,141
	-	-	308,256	22,141	-	330,397
Dividend declared - 2010	-	-	(110,345)	-	-	(110,345)
New shares issued (note 21(a))	13,880	352,561	-	-	-	366,441
Recognition of share based payments	-	-	-	-	40,625	40,625
At 31 December 2010	234,570	1,680,666	476,145	56,573	40,625	2,488,579
At 1 January 2011	234,570	1,680,666	476,145	56,573	40,625	2,488,579
Profit for the year			159,954	-	-	159,954
Disposal of available for sale investments	-	-		(56,573)	-	(56,573)
	234,570	1,680,666	636,099	-	40,625	2,591,960
Dividend declared - 2010		-	(166,127)	-	-	(166,127)
New shares issued (note 21(a))*	2,754	121,187	-	-	(40,625)	83,316
Issue of Bonus Shares	47,465	(47,465)	-	-	-	-
At 31 December 2011	284,789	1,754,388	469,972	-	-	2,509,149

* The company issued 2,754,249 new shares under the Employee Share Ownership Plan at Sh 30.25 per each ordinary share having par value of Sh 1.00 each.

Share premium also includes Sh'000 40,625 capitalised from Equity Settled Employee Benefits Reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2011 Sh'000	2010 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27(a)	588,598	1,200,564
Tax paid	7(c)	(369,375)	(187,712)
Net cash generated from operating activities		219,223	1,012,852
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	11(a)	(145,473)	(153,249)
Purchase of intangible asset	12	(27,338)	-
Proceeds on sale of equipment		250	2,915
Payments made for acquisition of subsidiaries		-	(53,609)
Proceeds from sale of infrastructure bonds	13	255,386	368,965
Investment income		104,181	163,637
Net cash generated from investing activities		187,006	328,659
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new Shares (ESOP)		83,316	-
Finance leases repaid	23	(2,906)	(924)
Dividends paid	26	(162,351)	(111,967)
Loan and capital received from other shareholders		150,493	238,464
Net cash generated from financing activities		68,552	125,573
Net increase in cash and cash equivalents		474,781	1,467,084
Movement in cash and cash equivalents			
At the beginning of the year		2,178,652	676,768
Increase during the year		474,781	1,467,084
Effect of fluctuations in exchange rates		(4,693)	1,300
Cash balance acquired on acquisition		-	33,500
Cash and cash equivalents at end of the year	27(b)	2,648,740	2,178,652

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1- ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards as issued by International Financial Reporting Standards Board. 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 represented by the statement of comprehensive income.

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

(a) Relevant new and revised IFRS affecting amounts reported in the current year (and /or prior years)

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, the group has chosen to continue presenting this analysis in the statement of comprehensive income therefore this has not resulted to any change in presentation.

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities and the adoption of the revised standard has not led to identification of related parties that were not identified as related parties under the previous Standard.

Amendments to IFRS 3 Business Combinations

As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').

The group has not entered into business combinations where the acquiree's employees had share based payments. If the Group enters into such transactions in future the standard will be applicable.

1- ACCOUNTING POLICIES (Continued)

(b) Relevant new and revised IFRS affecting amounts reported in the current year (and /or prior years)

Amendments to IAS 32 Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

Basis of preparation

The consolidated 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:

1- ACCOUNTING POLICIES (Continued)

Basis of consolidation

(i) Subsidiaries

Investments in Subsidiaries are carried at cost less impairment losses and are set out on the company's separate statement of financial position. 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-group 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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at either fair value or at the non-controlling interests' proportionate share of fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on acquisition –by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance. For the acquisitions occurring in the current period, the interest of non controlling interest is the proportion of net assets of the companies acquired equal to the percentage ownership of the non controlling interests.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group disposes shares of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to revenue reserve) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1- ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2010) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Revenue recognition

Revenue is measured at the realisable value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1- ACCOUNTING POLICIES (Continued)

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the service. The stage of completion of the service is determined as follows:

- retainer fees are recognised by reference to the stage of completion of the contract period, determined as the proportion of the total contract time that has elapsed at the end of the reporting period;
- service income is recognised in the period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided

Dividend and interest income

Dividend income from investments is recognised when the group's right to receive payment as a shareholder has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably). Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Work-in-progress

Work in progress is stated at the lower of cost or net realisable value and represents the costs incurred on behalf of clients not billed as at the year end. Attributable profits are only recognised once a job is complete and billed to client.

Equipment

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

Depreciation

Depreciation is calculated on the reducing balance method 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%

Intangible Asset

Intangible asset represent customer contracts acquired. These are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the life of the contracts.

Taxation

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

Deferred tax 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1- ACCOUNTING POLICIES (Continued)

Foreign currencies

Assets and liabilities at the reporting date which are expressed in foreign currencies are translated at the rates prevailing at year end. Transactions during the year which are denominated in foreign currency are translated at the rates of exchange prevailing at the transaction dates. Exchange gains and losses on translation of foreign currency denominated transactions are recorded in the profit or loss in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Kenya Shillings using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate) under the foreign currency translation reserve.

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 expected 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 realisable value.

Bank borrowings

Bank borrowings are carried at amount equal to repayable value including accrued interest.

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.

Unquoted investments

Unquoted investments are stated at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1- ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 recognised 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.

Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.
The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Provisions for employee leave entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. The necessary provision is made in the financial statements based on terms of the Group's leave policy and the cost related to it for the year is recorded in profit or loss.

Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1- ACCOUNTING POLICIES (Continued)

Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available The group's major reporting segment is advertising and media investment management with other income comprising less than 10% of total income thus the requirements of IFRS 8 are not applicable to the group.

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 the end of each 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3- REVENUE AND BILLINGS

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

	Revenue		Contribution	
	2011	2010	2011	2010
Revenue stream	Sh'000	Sh'000	Sh'000	Sh'000
Advertising and media investment management	3,147,775	1,986,955	2,089,552	1,497,708
Other marketing and communication sectors	449,485	358,599	330,734	295,295
Total	3,597,260	2,345,554	2,420,286	1,793,003
Other income			12,842	899
Investment income			139,916	174,100
Indirect administration and operating costs			(1,353,130)	(1,133,725)
Finance cost			60,186	4,119
Profit before tax			1,280,100	838,396

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

	2011	2010
	Sh'000	Sh'000
Kenya (includes billings to Pan-African markets)	8,842,456	9,801,815
Uganda	843,522	649,235
Tanzania	1,261,251	600,446
South Africa	426,872	214,512
Ghana	273,072	42,592
Others	116,491	55,239
	11,763,664	11,363,839

4- INVESTMENT INCOME

	2011	2010
	Sh'000	Sh'000
Interest on available for sale - Kenya Government Securities	1,407	59,032
Interest on bank deposits	92,368	31,423
Gain on sale of Kenya Government Securities (note 13)	46,141	83,645
	139,916	174,100

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5- PROFIT BEFORE TAX

	2011 Sh'000	2010 Sh'000
The profit before tax is arrived at after charging:		
Staff costs (note 6)	1,702,512	1,120,221
Auditors' remuneration	16,064	12,238
Operating lease rentals	104,903	82,380
Depreciation (note 11a)	70,937	56,897
Amortisation of intangible assets (note 12)	2,526	-
Bad debts provision	19,291	5,116
Loss/(gain) on disposal of equipment	1,013	(236)
Directors' remuneration		
- non-executive directors' fee	2,000	1,720
- non- executive directors' emoluments	840	660
- executive directors' emoluments	83,827	76,962

6- STAFF COSTS

	2011 Sh'000	2010 Sh'000
Salaries	1,552,136	954,943
Employee Share Ownership plan (note 21b)	-	40,625
Social security costs (NSSF)	36,919	26,441
Contribution to provident fund scheme	31,780	18,297
Staff leave pay provision	10,749	22,270
Others	70,928	57,645
	1,702,512	1,120,221

7- TAXATION

(a) Tax expense	2011 Sh'000	2010 Sh'000
Current taxation based on the adjusted profit		
For company at 20% (2010:20%)	41,751	46,911
For subsidiaries at 30% (2010:30%)	302,699	183,874
For Ogilvy Africa BV (South Africa Branch) at 28%	11,494	22,890
For Mauritian subsidiaries at 25%	1,559	-
For Ghanaian subsidiaries at 25%	1,422	-
Prior year under provision	1,220	268
	360,145	253,943
Deferred taxation charge / (credit) (note 15)		
- current year	8,233	(53,413)
- prior year under / (over) provision	606	(2,719)
	8,839	(56,132)
	368,984	197,811

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7- TAXATION (Continued)

(b) Reconciliation of expected tax based on accounting profits and tax expense	2011 Sh'000	2010 Sh'000
Accounting profit before tax	1,280,100	838,396
Tax at the applicable rate of 30% (2010:30%)	384,030	251,519
Tax effect of expenses not deductible for tax purposes	7,864	6,047
Tax effect of holding company being charged at 20% (2010:20%)	(20,207)	(33,562)
Tax effect of Ogilvy Africa BV (South Africa Branch) at 28%	(1,056)	(968)
Tax effect of Mauritian subsidiaries being charged at 25%	(1,364)	-
Tax effect of Ghanaian subsidiaries at 25%	(56)	-
Tax effect of income not subject to tax	(2,053)	(22,774)
Prior year under / (over) provision-deferred tax	606	(2,719)
Prior year under provision-current tax	1,220	268
	368,984	197,811

(c) Movement in net of tax recoverable and tax payable

	GROUP		COMPANY	
	2011	2010	2011	2010
	Sh'000	Sh'000	Sh'000	Sh'000
At beginning of year	(39,121)	13,307	(11,726)	(2,692)
On acquisition of subsidiaries	-	12,750	-	-
Taxation paid	369,375	187,712	75,706	37,877
Charge for the year	(360,145)	(253,943)	(41,751)	(46,911)
Translation difference	(419)	1,053		-
At the end of the year	(30,310)	(39,121)	22,229	(11,726)
Breakup of tax recoverable and tax payable				
Tax recoverable	134,187	30,646	22,229	-
Tax payable	(164,497)	(69,767)	-	(11,726)
	(30,310)	(39,121)	22,229	(11,726)

8- PROFIT FOR THE YEAR

The profit after tax of Sh 159,953,951 (2010 - Sh 308,256,259) has been dealt with in the separate financial statements of Scangroup Limited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9- 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:

	2011	2010*
	Sh'000	Sh'000
Profit attributable to equity holders of the parent	724,965	578,587
Weighted average number of shares (in thousands)	284,638	271,387
Basic earnings per share (Sh)	2.55	2.13

*2010 restated due to issue of bonus shares in 2011

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.

	2011	2010*
Profit used in calculation of basic and diluted earnings per Share(Sh'000)	724,965	578,587
Weighted average number of shares used in the calculation of basic earnings per share (in thousands)	284,638	271,387
Shares deemed to be issued in respect of Employee Share Ownership plan (in thousands)	-	2,754
Weighted average number of shares used in calculation of diluted earnings per share (in thousands)	284,638	274,141
Diluted earnings per share (Sh)	2.55	2.11

10- DIVIDENDS

The directors propose a first and final dividend Sh 0.70 per share totalling Sh 199,352,390 based on 284,789,128 shares in issue (2010: Sh 166,127,025 being Sh 0.70 per share for 237,324,321 shares).

The payment of dividends is subject to approval by shareholders at the next Annual General Meeting and has not been included as a liability in the financial statements. Dividend payment will be subject to withholding tax, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 (a)- EQUIPMENT- GROUP

	Computers and accessories Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Total Sh'000
COST				
At 1 January 2010	91,756	39,524	83,009	214,289
Added on acquisition of subsidiary	39,226	10,576	49,769	99,571
Other additions	79,428	29,261	44,560	153,249
Disposals	(712)	(1,046)	(10)	(1,768)
Exchange rate adjustment	736	(501)	809	1,044
At 31 December 2010	210,434	77,814	178,137	466,385
At 1 January 2011	210,434	77,814	178,137	466,385
Added on acquisition of business	7,109	8,527	8,665	24,301
Other additions	69,709	12,772	38,691	121,172
Disposals	(4,748)	(1,868)	(341)	(6,957)
Exchange rate adjustment	(862)	45	(936)	(1,753)
At 31 December 2011	281,642	97,290	224,216	603,148
DEPRECIATION				
At 1 January 2010	57,540	23,627	33,351	114,518
Added on acquisition of Subsidiary	31,917	4,674	36,535	73,126
Charge for the year	32,537	11,826	12,534	56,897
Eliminated on disposal	(562)	(709)	(338)	(1,609)
Exchange rate adjustment	1,229	(212)	945	1,962
At 31 December 2010	122,661	39,206	83,027	244,894
At 1 January 2011	122,661	39,206	83,027	244,894
Charge for the period	39,546	11,492	19,899	70,937
Eliminated on disposal	(3,944)	(1,533)	(217)	(5,694)
Exchange rate adjustment	(939)	176	(819)	(1,582)
At 31 December 2011	157,324	49,341	101,890	308,555
NET BOOK VALUE				
At 31 December 2011	124,318	47,949	122,326	294,593
At 31 December 2010	87,773	38,608	95,110	221,491

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 (b)- EQUIPMENT- COMPANY

	Computers and accessories Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Total Sh'000
COST				
At 1 January 2010	28,362	9,124	7,448	44,934
Additions	53,716	20,955	2,648	77,319
At 31 December 2010	82,078	30,079	10,096	122,253
At 1 January 2011	82,078	30,079	10,096	122,253
Additions	45,871	4,313	796	50,980
Disposals	(420)	-	-	(420)
At 31 December 2011	127,529	34,392	10,892	172,813
DEPRECIATION				
At 1 January 2010	13,350	5,417	3,029	21,796
Charge for the year	20,618	6,166	883	27,667
At 31 December 2010	33,968	11,583	3,912	49,463
At 1 January 2011	33,968	11,583	3,912	49,463
Charge for the year	22,618	4,714	802	28,134
Eliminated on disposal	(339)	-	-	(339)
At 31 December 2011	56,247	16,297	4,714	77,258
NET BOOK VALUE				
At 31 December 2011	71,282	18,095	6,178	95,555
At 31 December 2010	48,110	18,496	6,184	72,790

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12- INTANGIBLE ASSETS- GROUP	2011	2010
	Sh'000	Sh'000
COST		
At 1 January	-	-
Additions	27,338	-
At 31 December	27,338	-
AMORTISATION		
At 1 January	-	-
Charge for the year	2,526	-
Exchange rate adjustment	(248)	-
At 31 December	2,278	-
NET BOOK VALUE	25,060	-

The intangible assets represents client acquired through acquisition of MMRS.

13- KENYA GOVERNMENT SECURITIES	2011	2010
	Sh'000	Sh'000
Infrastructure Bonds – Available for Sale		
(IFB1/2010/12) coupon rate 12.5%		
At 1 January	265,818	528,997
Proceeds on Disposals	(255,386)	(368,965)
Fair value gain on revaluation	-	22,141
Investment revaluation reserve realised	(56,573)	-
Gain on disposal	46,141	83,645
At 31 December	-	265,818

Interest income earned from the infrastructure bonds is tax free. All these bonds were sold during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14(a)- INVESTMENT IN SUBSIDIARIES, AT COST

Subsidiary	Shareholding %	2011 Sh'000	2010 Sh'000
Scanad Kenya Limited	100%	40,000	40,000
J.Walter Thompson Kenya Limited	90%	18,000	18,000
Scanad East Africa Limited	100%	31,500	31,500
Redsky Limited	100%	84,542	84,542
MediaCompete East Africa Limited	100%	40	40
Grey East Africa Limited	100%	40	40
McCann Kenya Limited	100%	15,000	15,000
Scangroup Mauritius Holdings Limited	100%	144	144
Squad Digital Limited	51%	408	408
Hill & Knowlton East Africa Limited*	51%	5,207	5
Ogilvy Africa Limited**	51%	61,200	61,200
Ogilvy Tanzania Limited**	51%	25,500	25,500
Ogilvy Africa B.V.**	51%	185,167	185,167
Ogilvy Kenya Limited***	50%	238,353	238,353
Media Buying Africa Limited	100%	111,177	111,177
Smollan EA Limited	50%	500	-
Ogilvy Mauritius Holding Limited**	51%	434	-
		817,212	811,076

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

** Scangroup has granted call options to the other shareholder to purchase 2% of the issued share capital at any time after 31 December 2014 at fair value calculated on multiple of earnings.

*** Scangroup has granted call options to the other shareholder to purchase 1% of the of the issued share capital at any time after 31 December 2014 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%
J.Walter Thompson Tanzania Limited (subsidiary of Scanad Tanzania Limited)	82%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14(a)- INVESTMENT IN SUBSIDIARIES, AT COST (Continued)

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 Limited	100%
Scangroup West Africa Limited	100%
MIA Mauritius Limited	100%

14(b)- INVESTMENT IN JOINT VENTURES

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

The company's investment in the joint venture comprises:

	2011 Sh'000	2010 Sh'000
Investment in joint venture at cost (Millward Brown East Africa Limited)	6,125	6,125
Investment in joint venture at cost (Millward Brown Mauritius Limited)	4	4
Total	6,129	6,129

(ii) The following amounts are included in the Group's consolidated financial statements as a result of the proportionate (49%) consolidation of the above entities

	2011 Sh'000	2010 Sh'000
Statement of financial position items		
Current assets	212,738	151,774
Non-current assets	17,235	16,600
Current Liabilities	108,240	90,911
Non- current liabilities	33,101	41,422
Statement of Financial Performance		
Income (included under Revenue)	207,331	111,311
Expenses	143,294	85,483

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15- DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using the currently enacted tax rates applicable for the various entities in the Group ranging from 20% to 30% . The net deferred taxation asset is attributable to the following items:

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
(Accelerated depreciation)/capital allowances	(311)	13,421	1,842	1,863
Unrealised exchange (gains)/ losses	(665)	(4,560)	3,490	(30)
Tax losses carried forward	7,604	5,220	-	-
Provisions	69,399	70,784	16,808	20,675
	76,027	84,865	22,140	22,508

The movement on the deferred tax account is as follows:				
At beginning of period – asset	84,865	7,387	22,508	2,967
On acquisition of subsidiary	-	21,512	-	-
Credit for the year - (note 7)	(8,839)	56,132	(368)	19,541
Effect of exchange rates	1	(166)	-	-
At end of period – asset	76,027	84,865	22,140	22,508

	GROUP		COMPANY	
Breakup of deferred tax asset and liability	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Deferred tax asset	76,027	88,559	22,140	22,508
Deferred tax liability	-	(3,694)	-	-
	76,027	84,865	22,140	22,508

16- GOODWILL

	2011 Sh'000	2010 Sh'000
As at 31 December	315,671	315,671

Goodwill represents consideration paid in excess of net assets acquired in case of Redsky Limited and Ogilvy Entities. The directors are of the opinion that goodwill is not impaired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17- TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Trade receivables	3,986,206	4,184,599	521,810	788,627
VAT recoverable	717,192	487,252	162,565	196,624
Staff receivables	57,199	22,582	29,177	4,232
Other receivables and prepayments	196,304	128,255	15,170	31,762
	4,956,901	4,822,688	728,722	1,021,245

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	
(a) Balances due from related companies	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Due from Directors	6,687	-	-	-
Due from Subsidiaries	-	-	650,108	103,106
Due from affiliates of Joint Venture	-	3,082	-	-
	6,687	3,082	650,108	103,106
(b) Loan due to Related party				
Rusell Square Holdings BV	337,430	186,937	-	-
(c) Loan due from subsidiary and Joint ventures company				
Loan due from various subsidiaries and Joint Ventures	-	-	120,589	51,315
(d) Other balances due to related parties				
Due to Subsidiaries	-	-	-	114,978
Due to affiliates of Joint Venture	-	642	-	-
	-	642	-	114,978

(e) Transactions with related parties	2011 Sh'000	2010 Sh'000
The following transactions were carried out with related companies:		
Sale of services-Joint Venture	24,886	10,372
Purchase of services	-	-
Remuneration of directors and key management compensation	418,850	374,215
Directors' remuneration - executive directors' emoluments	83,827	76,962
(included in key management compensation above)		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19- WORK IN PROGRESS

Work in progress relates to the cost incurred on behalf of clients not billed as at the year end as it is recoverable from customers on completion of jobs.

20- SHORT TERM DEPOSITS

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Fixed deposits with banks	1,136,197	881,905	530,511	681,905
Call deposits with banks	834,946	630,642	453,215	630,642
	1,971,143	1,512,547	983,726	1,312,547

The term deposits are for duration of 3 to 6 months.

The effective interest on the fixed deposits for the year ended 31 December 2011 was 13% (2010: 7%) while the effective interest rate on the call deposits was 17% (2010: 2%).

21 (a) - SHARE CAPITAL

	2011 Sh'000	2010 Sh'000
Authorised share capital:		
Ordinary shares 302,154,855 (2010: 254,690,000) of Sh 1 each	302,155	254,690
The authorised share capital increased by 47,465,000 shares in 2011		
Issued and fully paid share capital:		
Ordinary shares 284,789,128 (2010: 234,570,024) of Sh 1 each	284,789	234,570

Movement in share capital

	2011		2010	
	Number of Shares in '000	Sh'000	Number of Shares in '000	Sh'000
At beginning of year	234,570	234,570	220,690	220,690
Shares issued on acquisition	-	-	13,880	13,880
Bonus Issue	47,465	47,465	-	-
ESOP Shares	2,754	2,754	-	-
At end of year	284,789	284,789	234,570	234,570

47,464,854 shares were issued as bonus shares during the year in the proportion of 1 share for 5 shares held as at the record date and were listed on the NSE on 27 June, 2011. 2,754,249 shares were issued during the year under the ESOP and were listed on the NSE on 20 January, 2011.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21(b)- EMPLOYEE SHARE OWNERSHIP PLAN

Equity settled employee benefits reserve	2011 Sh'000	2010 Sh'000
Balance at the beginning of the year	40,625	-
Arising on share-based payments (charge to profit or loss)	-	40,625
Shares issued during the year	(40,625)	-
Balance at the end of the year	-	40,625

All the share options outstanding at beginning of the year (in respect of 2,754,259 ordinary shares) were exercised during the year (see Note 21(a)).

22- NON CONTROLLING INTERESTS - GROUP

	2011 Sh'000	2010 Sh'000
At 1 January	320,832	12,382
Share of net assets on acquisition of Ogilvy entities	-	246,452
Share of profit for the year	186,151	61,998
Translation adjustment	(43)	-
At 31 December	506,940	320,832

23- FINANCE LEASES

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Minimum lease payments				
Payable within one year	-	2,697	-	-
Payable after one year but within five years	-	956	-	-
	-	3,653	-	-
Future finance charges	-	(747)	-	-
Total outstanding	-	2,906	-	-
Present value of minimum lease payments				
Payable within one year	-	2,394	-	-
Payable in the second to fifth year	-	512	-	-
	-	2,906	-	-

The average finance lease period is 4 years.

The weighted effective interest rate at 31 December 2011 was Nil % (2010: 14%).

The finance leases were for purchase of motor vehicles and were secured by the motor vehicles.

Payable in the second to fifth year as reported in 2010 were prepaid in 2011.

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
At the beginning of the year	2,906	3,830	-	1,718
Repaid during the year	(2,906)	(924)	-	(1,718)
	-	2,906	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24- BANK OVERDRAFT

	Group		Company	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
BNP Paribas (Netherlands)	-	21,152	-	-

CfC Stanbic Bank Limited

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.

BNP Paribas (Netherlands)

This overdraft belongs to a subsidiary Ogilvy & Mather BV in Netherlands. The overdraft facility is part of the WPP cash pooling arrangement for maximum value of Euro 15 million and the Group has not given any specific security towards this.

25- TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Trade payables	3,239,826	3,635,285	894,659	995,119
Other payables	325,922	472,569	18,651	78,871
Leave pay provision	27,921	22,270	5,128	3,384
VAT payable	29,661	10,408	9,051	-
	3,623,330	4,140,532	927,489	1,077,374

26- DIVIDENDS PAYABLE

	2011 Sh'000	2010 Sh'000
At 1 January	5,996	7,618
Dividends declared -Parent company shareholders	166,127	110,345
Dividends paid	(162,351)	(111,967)
At 31 December	9,772	5,996

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27- NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2011 Sh'000	2010 Sh'000
Profit before tax	1,280,100	838,396
Depreciation (note 11(a))	70,937	56,897
Amortisation of Intangible assets	2,526	-
(Gain)/loss on disposal of equipment	1,013	(236)
Investment Income	(139,916)	(163,637)
ESOP expense	-	40,625
Adjusted profit before working capital changes	1,214,660	772,045
Increase in trade and other receivables	(142,707)	(2,362,143)
Increase/ decrease in work-in-progress	29,600	(29,746)
Increase/ decrease in trade and other payables	(517,202)	2,632,157
Increase/ decrease in related party balances	4,247	(8,846)
Increase in working capital on acquisition	-	197,097
Cash generated from operations	588,598	1,200,564

(b) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position

	2011 Sh'000	2010 Sh'000
Cash in hand	1,650	3,444
Bank balances	675,947	683,813
Short-term deposits (Note 20)	1,971,143	1,512,547
Bank overdraft (Note 24)	-	(21,152)
	2,648,740	2,178,652

28- CAPITAL COMMITMENTS

	2011 Sh'000	2010 Sh'000
Authorised but not contracted	77,764	65,630
Authorised and contracted	79,619	55,542
	157,383	121,172

29- OPERATING LEASE COMMITMENTS

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

	2011 Sh'000	2010 Sh'000
Within 1 year	117,186	83,938
Within 2 to 3 years	253,221	168,486
	370,407	252,424

30- CONTINGENT LIABILITIES

	2011 Sh'000	2010 Sh'000
Pending claims	40,000	45,167
Guarantees	4,000	4,000

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. Bank guarantees are given to CfC Stanbic Bank Limited towards non fund based facilities. (Refer note 24).

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 adequate liquidity and access to a range of capital markets;
- allocate capital efficiently to support growth;
- safeguard company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to 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 a 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.

Gearing Ratio

	2011 Sh'000	2010 Sh'000
Share capital	284,789	234,570
Share premium	1,754,388	1,680,666
Revenue reserves	1,807,599	1,248,761
Revaluation reserve	-	56,573
Translation reserve	1,193	(4,222)
Equity settled employee benefits reserve	-	40,625
	3,847,969	3,256,973
Non-controlling interests	506,940	320,832
Total equity	4,354,909	3,577,805
Borrowings	337,430	210,995
Less: Cash and cash equivalents	2,648,740	2,199,804
Net Borrowings	Nil	Nil
Gearing	n/a	n/a

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31- RISK MANAGEMENT POLICIES (Continued)

(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 but has in place policies to ensure that financial risks are mitgated.

(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 its prior experience and their assessment of the prevailing economic environment.

The management assesses the creditworthiness of all clients by publicly available financial information or the recent payment history 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 mostly globally reputed companies 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 2011 is made up as follows:

	Fully performing	Past due	Total
	Sh'000	Sh'000	Sh'000
31 December 2011			
Bank balances	675,947	-	675,947
Trade receivables	3,473,421	512,785	3,986,206
Short term deposits	1,971,143	-	1,971,143
	6,120,511	512,785	6,633,296
31 December 2010			
Bank balances	683,813	-	683,813
Trade receivables	3,628,395	556,204	4,184,599
Short term deposits	1,512,547	-	1,512,547
Infrastructure bond	265,818	-	265,818
	6,090,573	556,204	6,646,777

Trade receivable that are past due are not doubtful. Out of the total past due amount of Sh'000 512,785 (2010; Sh'000 556,204) a sum of Sh'000 306,742 (2010; Sh'000 300,508) has been settled subsequently since the end of reporting period (non-payment within the stipulated period under the contracts in some cases 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.

Bank balances and short term deposits are fully performing, they are held in reputable banks that have a high credit rating. The infrastructure bond was due from the Government of Kenya that has no history of default.

The customers under the fully performing category are paying their debts as they continue trading. The customers in the past due category part of trade and other receivables are fully impaired and have been provided for. The group does not hold any collateral or other enhancements to cover the credit risk.

31- RISK MANAGEMENT POLICIES (Continued)

(ii) Liquidity risk management

Liquidity risk is the risk that cash may not be available to settle maturing 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.

	Less than 1 month Sh'000	Between 1-3 months Sh'000	Over 3 months Sh'000	Total Sh'000
As at 31 December 2011				
Related party loan	-	-	337,430	337,430
Trade payables	1,106,857	1,149,839	983,130	3,239,826
	1,106,857	1,149,839	1,320,560	3,577,256
As at 31 December 2010				
Borrowings - bank overdraft	21,152	-	-	21,152
Finance lease	242	726	1,426	2,394
Trade payables	2,651,380	911,900	72,005	3,635,285
Related party loan	-	-	186,937	186,937
	2,672,774	912,626	260,368	3,845,768

(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)	
	2011 Sh'000	2010 Sh'000
Fixed Deposits		
1% increase in interest rates	19,711	17,784
1% decrease in interest rates	(19,711)	(17,784)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31- RISK MANAGEMENT POLICIES (Continued)

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. However, the group takes adequate measures to cover its foreign currency risks by billing to its customer in same currency in which it makes procurements on behalf of the customer and by factoring exchange risk in customer quotes.

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

At 31 December 2011, if the average exchange rate for the year was 5% higher or lower, the loss before taxation would have decreased/ increased by approximately Sh 30,547,000 (2010: Sh 29,745,000).

(iv) Fair value of financial assets and liabilities

Financial instruments measured at fair value

Determination of fair value and fair value 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 theGroup'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 Group 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:

	Level 1 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Total Sh'000
At 31 December 2010				
Financial Assets				
Infrastructure bond	265,818	-	-	265,818

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32- SEGMENTAL REPORTING

The disclosure requirements of IFRS 8 Operating Segments which became effective for the periods beginning 1 January 2010 are not applicable to the group. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the corporation that are regularly reviewed by the Chief Operating decision Maker (CODM) in order to allocate resources to the segments and to assess performance. Thus, under IFRS 8, the major reporting segment is advertising and media investment management with other income comprising less than 10% of total income. This is the information which has been reported in these financial statements and the disclosure requirements of IFRS 8 are not applicable to the group.

33- INCORPORATION

The company is domiciled and incorporated in Kenya as a limited company under the Companies Act. The other companies in the group are domicilled in their respective countries of incorporation refer table on page 15-17.

34- CURRENCY

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

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