Notice of the 2007 annual general meeting

NOTICE is hereby given that the 2007 Annual General Meeting of Scangroup Limited will be held at the Bomas of Kenya, Langata Road, Nairobi on Friday, 18th May 2007 at 9.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To read the Notice convening the meeting.
2. To receive, consider and adopt the Accounts for the year ended 31st December 2006 together with the Reports thereon of the directors and Auditors.
3. To approve the remuneration of the directors as provided in the accounts for the year ended 31st December 2006.
4. To approve the payment of a first and final dividend of KShs. 0.80 per share in respect of the year ended 31st December 2006.
5. To re-elect a director: Mr. Muchiri Wahome retires by rotation under the provisions of Article 92 of the Articles of Association and, being eligible, offers himself for re- election.
6. To note that Deloitte & Touche continue in office as auditors of the Company in accordance with the provisions of Sec.159 (2) of the Companies Act and to authorise the directors to fix their remuneration for the ensuing financial year.

SPECIAL BUSINESS

AS Ordinary Resolutions

(1) Acquisition of Redsky Limited shares from Mr. Erik Van Vliet

(a) THAT the acquisition by the Company of Redsky Limited as a subsidiary of the Company, through the acquisition of the 15 % of the issued ordinary shares in Redsky Limited belonging to Mr. Erik Van Vliet in pursuance of the next following resolution be and hereby is approved.

(b) THAT notwithstanding any right of pre-emption granted either under Article 13 of the Company's Articles of Association or under any other law to the Members of the Company, the Directors of the Company recognizing the unique nature of the Company's business as being reliant upon the skills of key employees, and subject to the Company obtaining all necessary statutory permissions and authorizations, be and are hereby authorized to issue One million (1,000,000) ordinary shares of the Company to Mr. Erik Van Vliet in consideration of the transfer by him of his entire shareholding in Redsky Limited (being fifteen percent (15%) of the issued share capital in Redsky Limited) all one million shares to be issued credited as fully paid and to rank pari passu with all issued ordinary shares in the Company at the time of issue, but the issue to be subject to the terms and conditions of an Employee Share Retention Agreement in terms to be approved by the Board to be entered into between the Company and Mr. Erik Van Vliet.

2) Further Acquisitions

2007/1277

THAT notwithstanding any right of pre-emption granted either under Article 13 of the Company's Articles of Association or under any other law to the Members of the Company, the Directors of the Company are hereby authorized, subject to the Company obtaining all necessary statutory permissions and authorizations, to issue ordinary shares ranking pari passu with all issued ordinary shares in the Company, in connection with any investment in or acquisition of any assets, shares or other property by the Company or any of the subsidiaries of the Company, where the Directors have deemed it appropriate that all or part of the consideration therefore be offered or paid in the form of ordinary shares in the Company, provided that the number of ordinary shares issued for such use by the Directors shall not in aggregate exceed five million (5,000,000) ordinary shares in the Company.

(3) Employee Share Option Scheme (ESOP)

THAT subject to the Company obtaining all necessary statutory permissions and authorizations, the Directors be authorized to do all acts and things necessary to establish and carry into effect a trust scheme comprising of one or more Employee Share Option Schemes (each an 'ESOP') including drafting and making such amendments to the instruments of the ESOP as may be necessary to obtain its approval by the Capital Markets Authority and the Nairobi Stock Exchange.

THAT if need be and so far as may be necessary the Articles of Association of the Company be relaxed so that each Director may be counted in the quorum and authorised to vote on any matter arising in connection with the ESOP, save in respect of his own individual rights of participation (if any) in the ESOP notwithstanding that he is or may be interested in such a matter.

THAT notwithstanding any right of pre-emption granted either under Article 13 of the Company's Articles of Association or under any other law to the Members of the Company, the Directors be and are hereby generally and unconditionally authorized to allot and issue to the Trustees of the ESOP, from time to time required to be held by them for the purposes of the ESOP, ordinary authorized but unissued shares ranking pari passu with all issued ordinary shares but subject to the terms of the ESOP, provided that the number of ordinary shares issued to the Trustees for their use in the ESOP shall not in aggregate exceed fifteen million (15,000,000) ordinary shares in the Company.

By Order of the Board
R.R. Vora
Secretary
Date: 26th March 2007

Notes:

1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not also be a member.
2) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or, if the appointor is a Corporation, either under seal, or under the hand of an officer or attorney duly authorized.
3) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office 5th Floor, The Chancery Building, Valley Road, P O Box 34537 – 00100, Nairobi not less than forty eight hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote.

Board of directors

From left to right: **Ramesh Vora** - Secretary
Muchiri Wahome - Non-Executive Director
Bharat Thakrar - CEO
David Hutchison - Non-Executive Chairman
Richard Omwela - Non-Executive Director
Andrew White - Group Creative Director

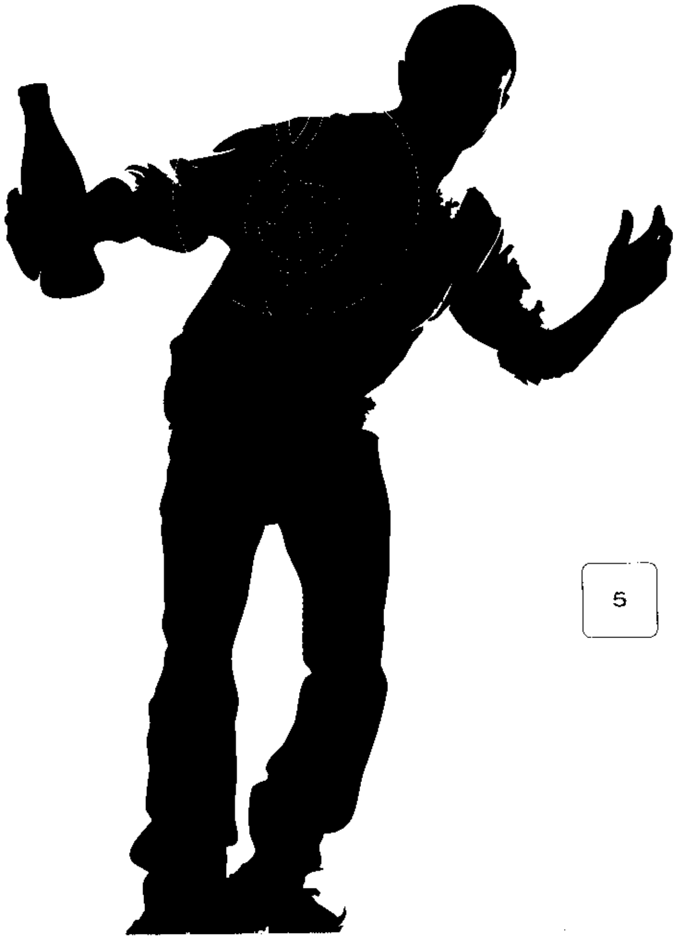
Board of directors

David Hutchison, Non-Executive Chairman - David, a British national aged 62, is a Certified Public Accountant and a former Senior Partner in Ernst & Young Eastern Africa. He has many years experience in related aspects of audit, tax advice and financial management, reconstruction and consulting covering various industry sectors, in a diversity of African countries. David is a non-executive Director of the Insurance Company of East Africa Limited, East African Packaging Industries Limited, Prime Bank Limited, Kentainers Limited, Synresins Limited, Nderit Estate Limited and a Director of African International Airways Limited, Baharini Holdings Limited, Banda Properties Limited, Engineering Holdings Limited, Kaptagat Preparatory School Limited, Kisembe Properties Limited, Miles Investments Limited, Millenium Leasing Limited, PBM Nominees Limited, PBM Trust Company Limited, Prime Card Limited, Private Schools Trust Limited, School Investments Limited, and the Banda School Limited.

Bharat Thakrar, Chief Executive Officer - Bharat, a Kenyan national aged 54, holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation - UK. He is the founder shareholder of Scangroup and has over thirty four (34) years working experience in Advertising and Communications having previously worked with McCann Erickson in Kenya. Bharat is a Director of all the Scangroup Subsidiaries and of Valley Terrace Limited. He is also a former Chairman of the Advertising Practitioners Association (APA) and is a member of the Advertising Standards Board

Andrew White, Group Creative Director - Andrew, an Australian national aged 51, holds a Bachelor of Arts Degree (Communications) from University of Technology, Sydney, Australia. Andrew has considerable local and international working experience in advertising having previously worked in Hong Kong, Singapore and Kenya offices of Ogilvy & Mather as Creative and Executive Creative Director, prior to joining Scanad in 1990 as the Group Executive Creative Director. He is also a Director of all the Scangroup Subsidiaries.

Richard Omwela, Non-Executive Director - a Kenyan national aged 51, holds a Bachelor of Honours Degree in Law (LLB) from the University of Nairobi, and is an advocate of the High Court of Kenya. Richard is a Partner in the firm of Hamilton, Harrison and Mathews Advocates and is in charge of the Commercial Department. He is a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya and a Non- Executive Director of Genesis Investment Management Limited, African Banking Corporation Limited, Waandishi Limited, Woolworths & Co. (East Africa) Limited and Kenya Rugby Limited.



Board of directors

Continuation

Muchiri Wahome, Non-Executive Director - Muchiri a Kenyan national aged 44, is a holder of a Bachelor of Arts (Economics) degree from the University of Nairobi and obtained an advanced certificate from the Strathmore Business School in 2006. With 18 years of retail experience, Muchiri is currently the Managing Director of Deacons (K) Ltd, the franchise holders of Woolworth's SA, Truworths SA, iDENTiTY SA and 4U2 stores in Kenya. He is also the Chairman of Distributive and Allied Workers Association under the umbrella of the Federation of Kenya employers (FKE) and a member of the Archdiocese of Nairobi Education Advisory Board. In 2005 he was awarded the Head of State commendation medal for implementing performance contracts with public bodies on behalf of the government of Kenya.

Ramesh Vora, Company Secretary - Ramesh, a Kenyan national aged 56, is a member of the Institute of Chartered Secretaries and Administrators (UK) and a member of the Institute of Certified Public Secretaries (Kenya). He has been in professional practice as a company secretary for over 30 years.

Chairman's statement

It is with great pleasure that I present to you our first annual report, after our successful listing on the Nairobi Stock Exchange. I would like on behalf of the Board of Directors of Scangroup and on my own personal behalf to take this opportunity to welcome our new shareholders to the company. Karibuni.

David Hutchinson
Chairman

2006 was a landmark year for the Scangroup family in more ways than one. This was the year that your company started on the road to being a publicly quoted company through an Initial Public Offer (IPO) of shares. The decision to list was a bold one fraught with many unknowns but thanks to our very able team of advisors and the guidance and support of the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA), our IPO was one of the most successful in the history of the capital markets in Kenya.

The six times oversubscription that the IPO achieved was an important vote of confidence in the company, its management and, more importantly, the pool of talent who work with Scangroup. I fully appreciate this overwhelming support, and on behalf of the Board of Directors I would like to thank everyone who participated in our IPO.

Company's financial performance

I am pleased to announce that Scangroup Limited reported impressive growth in 2006.

The company's billings increased from KShs. 2.3 billion in 2005 to over KShs. 3 billion in 2006. This is a 29% growth in the period under review. Our pre-tax profits increased by 39% from KShs. 200 million in 2005 to KShs. 279 million in 2006. Our profits after tax were up from KShs.148 million to KShs. 196 million.

All key business units in Scangroup recorded better than average growth. There was marked improvement in the performance of business units in Uganda and Tanzania. Our media buying operation in the rest of Africa continues to give us a distinct edge over the competition as we continue to offer unrivaled services to our clients with Pan-African businesses.

Key to our improvement in performance has been Scangroup's innovation in services offered to clients. Over and above our integrated communications solutions offered to clients, we continue to offer new channels of communication for our clients to reach their consumers. A case in point was the successful pioneering reality television show, Tusker Project Fame. The company is committed to replicating these success stories of innovation while at the same time, rolling out other creative services for our clients.

Corporate Governance

Following our IPO and subsequent listing on the stock exchange, Scangroup has adopted new governance rules aimed at streamlining the company's operations and governance standing.

The Board holds meetings regularly and has put in place audit and remuneration committees which have oversight functions on the company's financial activities and risk management practices as well as human resource management.

Chairman's statement

Future outlook

The company is pursuing an aggressive expansion plan that will see us replicate the Kenyan success model in our key operating markets in Uganda and Tanzania. This expansion is going to be achieved through generic growth in sectors and through acquisitions where we have no presence.

As a first step towards this, Scangroup acquired the controlling interest in FCB Tanzania in 2006 and a 50 percent stake in Redsky Kenya in January this year. These two acquisitions were strategically aimed at giving Scangroup a stake in the increasingly lucrative telecommunications sector, where the group agencies had no significant presence in Kenya and Tanzania.

Your Board has also approved Scangroup's expansion into the West African market to take advantage of the regions growing business. Our foray into West Africa will be through Nigeria, the natural economic giant in the region.

To speed up our company's growth through acquisitions, the Board considers it appropriate to have the ability to offer shares in the company as part of consideration for any acquisition, subject to such regulatory approvals as may be necessary. In this regard, an appropriate proposal will be put forward to this Annual General Meeting.

Employee Share Ownership Plan (ESOP)

As part of the IPO exercise, we pioneered a retention scheme for employees of Scangroup known as the "Golden Handcuffs" scheme. To underpin this scheme, the Board considers it important to have an Employee Share Ownership Plan (ESOP) in place in order to motivate, recruit and retain our people, who are the backbone of your company. This plan will not only motivate the staff, it will also allow them to benefit from the business success they are helping to create.

Your board is formulating rules for such a plan to be implemented and in broad terms, the plan will be a share option scheme to be granted for performance. The Board has proposed appropriate resolutions for approval by shareholders in this regard.

Corporate Social Responsibility (CSR)

Scangroup Board is committed to being a responsible corporate citizen in Kenya's business landscape. Towards this policy, the company has been involved in a number of CSR activities. These include:

Support in the sports arena: Scangroup through its advertising agency Lowe Scanad, offered its creative services to the local organizing committee of the highly successful World Cross-country Championship that was held in Mombasa in March this year. Lowe Scanad designed the Championships communication and marketing material free of charge to the tune of KShs. 1 million.

Assisting those afflicted with HIV/Aids: Scanad Public Relations offered publicity and event management services to Hope House Babies Home which provides a place of safety for babies who have been abandoned as well as HIV positive children. The home, established in 2002 provides physical, emotional and spiritual care with an aim of placing the babies into good families via legal adoption. To date Scangroup is committed to helping the home meet its monthly rental expenses at their headquarters along Waiyaki Way.

Caring for street children: Scangroup is involved through Childlife Trust where our Executive Creative Director Andrew White offers his services as a trustee. The Group, through Lowe Scanad and Scanad Public Relations offered advertising and PR services to the Trust's successful Food Fund which raises money and foodstuff in aid of various charities that cater for street children. In the coming year, Scangroup will be launching a policy on the way it will be undertaking its social responsibility initiatives. This policy will guide all group agencies in the areas of intervention and the level of commitment from the company and its employees.

Dividends

The Board of Directors recommends a first and final dividend of KShs. 0.80 per share to shareholders on the register of members at the close of business on 21st May 2007. This represents 68 percent of our earnings for the year 2006, and takes into account requirements for expansion of our business into other areas as stated above.

Finally, I would like to thank my colleagues on the Board for their support and the staff and management for their dedication and hard work in achieving the results in what has been a very successful year.

David Hutchison
Chairman
March 26, 2007

Chief Executive's statement

Bharat Thakrar
CEO

The year 2006 was a milestone for Scangroup, having listed our shares on the Nairobi Stock Exchange on August 29, 2006. The Initial Public Offer (IPO) of our shares to the public was a huge success attracting an over subscription of over six times. A total of 96,459 applications were received representing 428,386,000 shares for a total of 69 million shares on offer, indicating a strong demand for the Company's shares.

Industry performance

Our industry is directly dependent on the growth of the economy. According to the Central Bureau of Statistics, the GDP in Kenya was estimated to have grown by 6% whilst that of Uganda grew by 5.4% and Tanzania grew by 5.9%.

Advertising Exposure* (Adex) in East Africa, as measured by the Steadman Group, grew by 37%. In Kenya, the market grew by 50%, whilst Uganda and Tanzania recorded growth of 23% and 10% respectively. Kenya still leads the market with 66% of the exposure, whilst Uganda accounted for 23% and Tanzania 11%. Of the total Adex, 48% was spent through Advertising agencies whilst the balance was booked directly by clients, indicating that there are still many advertisers who do not use an advertising agency to plan or book their media. Radio is still the preferred medium taking a 56% market share followed by Television at 26% and Print at 18%.

Scangroup with its subsidiaries and associates currently has a leadership position in East Africa with a total market share of 45% based on Adex. On a group basis, we are the biggest in each of the three countries.

Of the top 10 spenders, based on Adex, in East Africa, 7 of them are our clients. They are representative of all the key industry sectors. Seven sectors represented 73% of the total market, which include the telecommunications sector which represented 21% of Adex, followed by Corporate/Multi-brand at 13%, Beverages at 10%, Household at 9%, Financial at 8% and Personal care and Food at 6% each.

How did we do?

The year exceeded expectations and I am very pleased to announce that Billings were up by 29% to over 3 Billion Kenya Shillings whilst Revenues were up by 39% to over 829 Million Kenya Shillings. Profit after tax grew by 32% to over 195 Million Kenya Shillings giving us a net margin of 24%. Earning per share also grew by 23% to KShs. 1.17 per share.

Kenya is still our main market and contributed to over 69% of the revenue and grew by 24%. Uganda contributed 7% to our revenue and grew by 15% whilst Tanzania contributed to 24% of the total revenue and grew by a massive 114%.

Advertising and Media was 88% of our business, with revenues growing by 28% over 2005 and contributing to 84% of our bottom line. Speciality Communications, which is the Activation and Experiential Marketing side of our business, contributed to 7% of our revenue. This segment gave us

* Advertising Exposure (Adex data) as measured by the Steadman Group

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

the highest growth of over 484% over 2005 and contributed to 10% of our bottom line. Public Relations was 5% of our net revenue contributing to 6% of our bottom line with growth of 212% over 2005.

The IPO brought a brand new management challenge to the group. From an entrepreneurial management style we are now moving to a more broad-based structure empowering our managers to be more accountable for delivering returns, not only to our clients but to our shareholders as well.

I am happy to report that we delivered on our business growth strategy to attain a significant presence in the Telecommunications sector, especially in the cellular market, in Kenya and Tanzania. To accomplish this, during 2006 we acquired FCB Tanzania, the agency that handles advertising for Vodacom Tanzania, the largest advertiser in Tanzania. In January 2007 we acquired a 50% shareholding in Redsky Limited, the agency that handles the advertising for Safaricom.

The strategy in Tanzania now replicates our Kenyan agencies model with various front doors and one back office. Both our agencies in Dar es Salaam now share the back office, whilst operating independently under the Lowe Scanad and FCB Tanzania brands.

Our focus for 2006 was also to build our Speciality Communications expertise by offering our clients a fully integrated communications solution. This we did by strengthening our delivery in Activations, Public Relations and Television Reality shows. I am delighted to inform shareholders that we were the driving force behind the production of the first reality television show in Kenya - Tusker Project Fame - for our client Kenya Breweries. The show was a big success and it is our intention to produce other reality shows in 2007 and beyond.

Our activation company Draft Worldwide, which recently changed its name to Roundtrip, made significant progress in staging several activations for clients during 2006. The name change was necessitated due to the worldwide realignment of Draft from Lowe Worldwide to FCB. The company is now well placed to deliver significant growth during 2007.

On the advertising side we retained most of the clients that came for review during 2006 whilst winning several new clients. There were no significant client loses during the year.

Our Resources:

Investment in attracting and retaining superior creative talent, as well as other senior management, will be an ongoing imperative as we continue to grow. Africa has its challenges and is not a sought-out location for top people in our business. The "Golden Handcuffs scheme" has managed to retain the key resources but as we expand into other markets we will need to train locally and offer attractive career opportunities to local talent across the continent. Going forward we need to offer excellent compensation and career growth opportunities to attract young and talented people. It is also our intention to put into place a share options scheme under an Employee Share Ownership Plan (ESOP).

Key Priorities and Strategy going forward

1. Our first priority will be to consolidate our position in East Africa further. We are currently well placed in Kenya and Tanzania. However Uganda is the second biggest market after Kenya and whilst we are still the market leader, we don't have any cellular client which is the fastest growing sector. Our key priority for 2007 will be to maintain our leadership by pitching for a cellular client.

2. Medium to long term factors affecting the industry in Africa is the setting up of 'cluster markets'. A lot of the multinational companies operating in Africa are centralising communication for the continent in key regional locations based in South, East, West and North Africa. Our model will be to develop creative work in any of these centres and run it across markets via our centralised media planning and buying companies. This, therefore, means that the only growth opportunities in individual markets will come from locally-based clients as more and more multinational clients will be looking for agencies that can provide a Pan African solution via cluster centres and a media delivery system across the continent. Our future Pan African strategy includes setting up of operations in Nigeria to manage the West African countries and develop a media delivery system in that part of the continent. Nigeria we believe will be the next biggest Advertising market outside South & East Africa and we need to be in place to take this opportunity.

3. We want to meet more needs of our clients, wherever and however they do business. Our approach is to align and integrate strategic and creative resources in and across our agencies to service the best interest of individual clients. In line with this strategy we started planning media in six additional markets in East & Central Africa for a number of our clients in 2006. This necessitated the creation of a market and media knowledge base of Ethiopia, Zambia, Malawi, Zimbabwe, Angola and Mozambique. In 2007 we have commenced direct media buying in all these countries plus other markets in Africa. This has improved our media delivery system across Africa tremendously and given us a major competitive advantage.

4. Traditional media campaigns, whilst still at the core of the marketing effort, are increasingly becoming less effective and clients are looking to us to deliver messages via more innovative and effective channels of communications. In this regard, our commitment to offer fully integrated solutions is already paying dividends through our Speciality communications business and Public Relations business. Given the challenges and opportunities inherent in each medium, providing an effective and consistent message throughout the market demands the skills of a truly multidisciplinary team. We believe we have the team and the tools in place.

We are continuously changing our focus to deliver total "communication" solutions rather than simply "advertising" solutions. The challenge therefore in 2007 is to move from being an Advertising and Media Buying company to a Communications company.

Bharat Thakrar
CEO
26th March 2007

Corporate governance

"Corporate governance is the process by which companies are directed, controlled and held to account".

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

Board of Directors

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

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

Committees of the Board

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

Audit and Risk Management Committee

The Board has constituted an Audit and Risk Management committee which meets four times a year or as necessary. Its membership comprises David Hutchison (Chairman), Richard Omwela and Bharat Thakrar. Its responsibilities include review of financial statements, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems.

Staff and Remuneration Committee

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

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

Corporate governance

Continuation

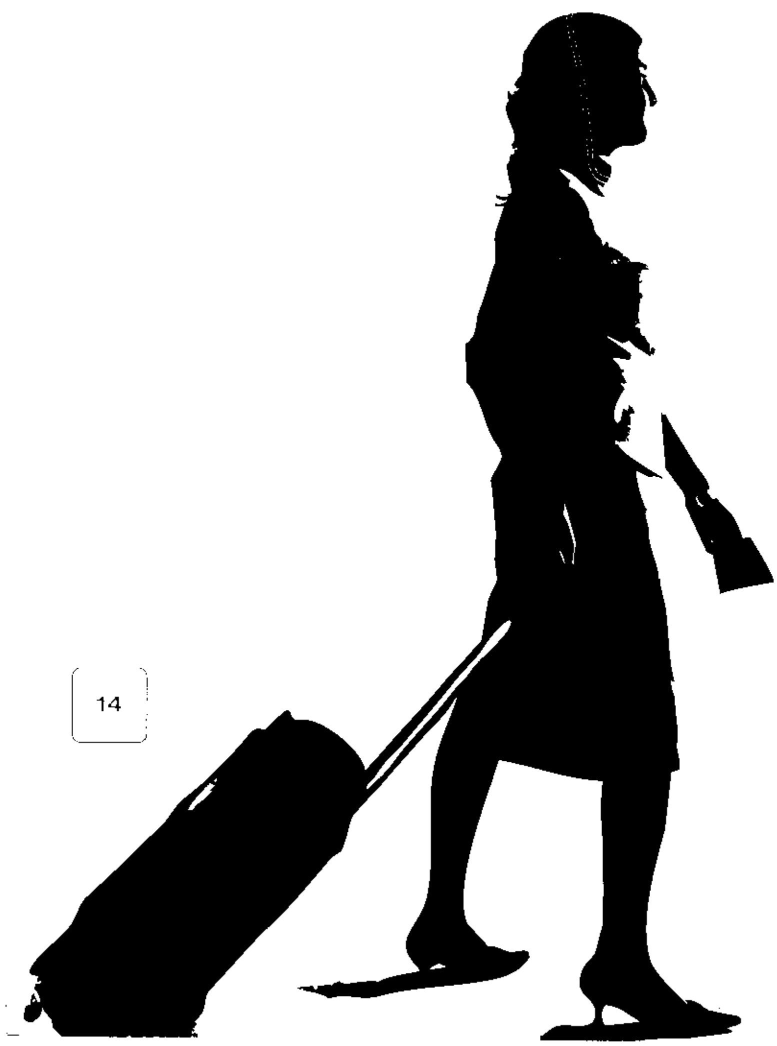
Nominations Committee

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

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

Internal Controls

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



Code of Ethics

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

Shareholding

Summary of shareholders as at 31st December 2006

	Category	Number of share holders	Number of shares held	% of issued share capital
1	Foreign individuals	278	850,830	0.535%
2	Foreign institutions	6	2,057,300	1.294%
3	Local individuals	56,027	117,027,729	73.602%
4	Local institutions	1,841	39,000,687	24.529%
5	E. A. individuals	62	52,954	0.033%
6	E. A. institutions	1	10,500	0.007%
		58,215	**159,000,000**	**100.00%**

Range	No. of members	Total No. of share	% of issued share capital
1 - 500	47,372	16,773,504	10.550%
501 - 5,000	9,101	14,302,016	8.994%
5,001 - 10,000	825	6,474,925	4.072%
10,001 - 100,000	871	17,808,265	11.200%
100,001 - 1,000,000	41	11,001,590	6.920%
Above 1,000,000	5	92,639,700	58.264%
	58,215	**159,000,000**	**100%**

Top 10 investor as at 31 December 2006

Rank	Name	Number of shares held	% of issued share capital
1	Thakrar Bharat	45,360,000	28.53%
2	White Andrew John Laird	26,340,000	16.57%
3	Bora services Limited	18,300,000	11.51%
4	Barclays (Kenya) Nominees Limited Non Resident A/c 9296	1,561,200	0.98%
5	Patel Mehul & Patel Praksha	1,078,500	0.68%
6	Kenya Commercial Bank Nominees Limited A/c 191G	827,500	0.52%
7	Secumart Investments Limited	784,526	0.49%
8	Kibuwa Enterprises Limited	700,000	0.44%
9	Stanbic Nominees Kenya Limited A/c R66502	638,300	0.40%
10	Barclays (Kenya) Nominees Limited A/c 9230	573,100	0.36%
		96,163,126	**60.48%**

Five years Group financial review

ENDED 31ST DECEMBER 2006

Consolidated Profit and Loss Account

All amounts in KShs in '000

Particulars	31st December 2006 Note 2	31st December 2005 Note 1	31st December 2004 Note 1	31st December 2003 Note 1	31st December 2002 Note 1
Billings	3,012,461	2,343,628	1,936,769	1,446,359	1,047,674
Revenues	829,574	595,564	464,267	351,031	202,481
Profit before Taxation	278,684	200,994	88,064	52,612	38,113
Taxation	(83,158)	(52,802)	(22,719)	(13,995)	(9,079)
Profit after taxation before Minority Interest	195,526	148,192	65,345	38,617	29,034
Minority Interest	(9,128)	(4,686)	(955)	(313)	(299)
Profit available to Scangroup shareholders	186,399	143,506	64,390	38,304	28,735
	KShs	KShs	KShs	KShs	KShs
Earnings per share (EPS)	1.17	0.96	0.43	0.26	0.19
Number of shares	159 million	150 million	150 million	150 million	150 million

Consolidated Balance Sheet Data

All amounts in KShs in '000

Non-Current Assets	47,506	39,130	34,187	30,597	20,782
Current Assets	1,190,461	982,433	605,296	510,556	327,735
Total Assets	1,237,967	1,021,563	639,483	541,153	348,517
Non-Current Liabilities	88	990	400	-	-
Current Liabilities	766,958	779,965	536,891	490,603	334,740
Total Equity	470,921	240,608	102,192	50,550	13,777

Note 1

For comparative purposes, prior years' numbers (year 2002 - year 2005) in the consolidated profit and loss account and the consolidated balance sheet has been included as if the Group, as restructured, had been in existence throughout the period. The presentation adopted is intended to provide a better understanding of the Group's operations and the numbers included above have been taken from the Accountant's report published in the Prospectus dated 13th July 2006.

The Earning per share calculations are based on the assumption that the 150 million shares were in issue throughout the prior years i.e. year 2002 to year 2005.

Note 2

The Earning per share calculation is based on the assumption that the 159 million shares were in issue throughout the year 2006.

Corporate information

DIRECTORS	David Hutchison*	Chairman
	Bharat Thakrar	Chief Executive Officer
	Andrew White**	Executive Creative Director
	Richard Omwela	Non-Executive Director
	Muchiri Wahome	Non-Executive Director
	* British ** Australian	
SECRETARY	Ramesh R Vora Elgeyo Marakwet Road P.O. Box 48405 00100 Nairobi	
REGISTERED OFFICE	The Chancery 5th Floor Valley Road P.O. Box 34537 00100 Nairobi	
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) "Kirungii", Ring Road, Westlands P.O. Box 40092 00100 Nairobi	
BANKERS	CFC Bank Limited Upper Hill Medical Centre Branch P.O. Box 2492 00200 Nairobi	
	Diamond Trust Bank Kenya Limited P.O. Box 61711 00200 Nairobi	
LAWYERS	Daly & Figgis Advocates 8th Floor, Lonrho House Standard Street P.O. Box 40034 00100 Nairobi	
SHARE REGISTRAR	Comp-rite Kenya Limited 8th Floor, Rehani House Kenyatta Avenue P.O. Box 64328 00619 Nairobi	

Principal officers

Ayub Ahmed	Chief Operating Officer
Manish Shah	Chief Financial Officer
Emily Mutua	Human Resources Manager

Subsidiary companies	Activities
Lowe Scanad East Africa Limited The Chancery 5th Floor Valley Road P.O. Box 34537 00100 Nairobi	Holding company for Roundtrip Limited (formerly Draft Worldwide East Africa Limited), Lowe Scanad Tanzania Limited, Lowe Scanad Uganda Limited and FCB Tanzania Limited.

Corporate information

Subsidiary companies	Activities
Lowe Scanad Kenya Limited The Chancery 5th Floor Valley Road P.O. Box 34537 00100 Nairobi	Advertising agency
Lowe Scanad Tanzania Limited P.P.F. Tower 17th Floor Ohio Street P.O. 78769 Dar es Salaam Tanzania	Advertising agency and parent company for FCB Tanzania Limited.
Lowe Scanad Uganda Limited Murtala Courts 3rd Floor Lumumba Avenue P.O. Box 7667 Kampala Uganda	Advertising Agency
FCB Tanzania Limited P.P.F. Tower 2nd Floor Ohio Street P.O. 79356 Dar es Salaam Tanzania	Advertising agency
Thompson Kenya Limited The Chancery 5th Floor Valley Road P.O. Box 34537 00100 Nairobi	Advertising agency
McCann Kenya Limited The Chancery 5th Floor Valley Road P.O. Box 34537 00100 Nairobi	Advertising agency
Roundtrip Limited The Chancery 5th Floor Valley Road P.O. Box 34537 00100 Nairobi	(formerly Draft Worldwide East Africa Limited) Speciality communication company that provides services such as public relations, experiential marketing, activations and event management.
Grey East Africa Limited The Chancery 5th Floor Valley Road P.O. Box 34537 00100 Nairobi	Dormant
Scangroup (Mauritius) Limited Fairfax House 2nd Floor 21 Mgr Gonin Street Port Louis Republic of Mauritius	Investment company
Redsky Limited Nairobi Business Park Unit C P.O. Box 34537 00100 Nairobi	Advertising agency (Acquired 50% shareholding on 15th January 2007)

Report of the directors

The directors present their report together with the group's audited financial statements for the year ended 31 December 2006.

ACTIVITIES

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

RESULTS

	KShs
Consolidated profit before taxation	278,684,278
Taxation charge	(83,158,024)
Profit for the year	195,526,254
Attributable to equity holders of the parent	186,398,637
Minority interest	9,127,617
	195,526,254

Change in Group Structure

Year 2005

On 29 September 2005, Scangroup Limited (formerly Media Initiative East Africa Limited) acquired the whole of the share capital of the following subsidiary companies except where indicated.

- Lowe Scanad Kenya Limited,
- Lowe Scanad Tanzania Limited,
- Lowe Scanad Uganda Limited,
- Roundtrip Limited (formerly Draft Worldwide East Africa Limited)
- McCann Kenya Limited.
- Thompson Kenya Limited, (acquired 90%)

The acquisition was in exchange for shares in Scangroup Limited.

Accordingly the 2005 consolidated figures included in these financial statements reflect the results of the subsidiaries for three months only.

Year 2006

The Group, through its subsidiary Lowe Scanad Tanzania Limited acquired 70% shareholding in FCB Tanzania Limited with effect from 1 June 2006. In December 2006, the balance of 30% shareholding in FCB Tanzania Limited was acquired in exchange for 18% shareholding in Lowe Scanad Tanzania Limited.

Report of the directors

DIVIDENDS

In respect of the current year, the directors propose that a dividend of KShs 0.80 per share totalling KShs 127,200,000 be paid (2005 - interim dividend of KShs 0.30 per share and final dividend of KShs 0.13 per share totalling KShs 35,000,000). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21st May 2007. The payment of this dividend will not have any tax consequences for the Group.

DIRECTORS

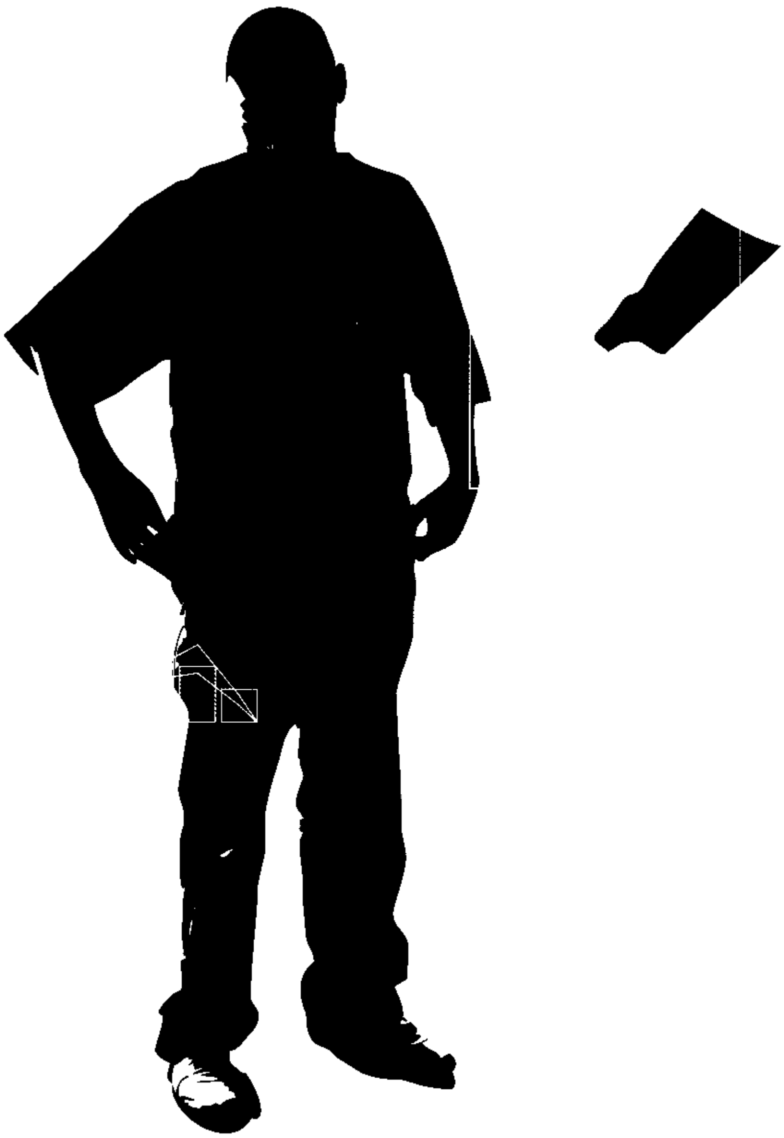
The current board of directors is as shown on page 17.

Mr. Muchiri Wahome retires by rotation under the provisions of Article 92 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
R.R. Vora
Secretary
Nairobi
26th March 2007



Statement of Director's responsibilities

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

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

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

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

David Hutchison	Bharat Thakrar
Chairman	Director
26th March 2007	26th March 2007

Independent Auditors' report to the Members of Scangroup Limited

We have audited the financial statements of Scangroup Limited set out on pages 23 to 44 which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, consolidated and company statement of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material 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 judgment and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion:

(a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2006 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

DELOITTE & TOUCHE
10th April 2007
Nairobi, Kenya

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 12 months KShs	2005 6 months KShs
BILLINGS	3	3,012,461,069	862,145,462
DIRECT COSTS		(2,182,887,213)	(632,049,982)
REVENUE		829,573,856	230,095,480
ADMINISTRATION EXPENSES		(467,788,859)	(117,779,585)
OPERATING EXPENSES		(80,447,658)	(6,766,079)
OPERATING PROFIT	4	281,337,339	105,549,816
GAIN ON ACQUISITION OF SHARES IN SUBSIDIARIES	21(C)	-	31,263,246
NET FINANCE COSTS	6	(2,653,061)	(5,003,419)
PROFIT BEFORE TAXATION		278,684,278	131,809,643
TAXATION CHARGE	7	(83,158,024)	(30,335,119)
PROFIT FOR THE YEAR		195,526,254	101,474,524
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT	8	186,398,637	100,099,510
MINORITY INTEREST	18	9,127,617	1,375,014
		195,526,254	101,474,524
EARNINGS PER SHARE	9(a)	1.21	0.97
INTERIM DIVIDEND PER SHARE	9(b)	-	0.30
FINAL DIVIDEND PER SHARE (PROPOSED)	9(b)	0.80	0.13

Consolidated balance sheet

AS AT 31 DECEMBER 2006

	Note	2006 KShs	2005 KShs
ASSETS			
Non current assets			
Equipment	10(a)	47,416,154	38,641,057
Deferred tax asset	12	89,845	488,849
		47,505,999	39,129,906
Current assets			
Trade and other receivables	13	975,209,472	785,852,842
Work-in-progress	15	32,022,885	4,983,080
Taxation recoverable		20,136,288	19,354,078
Short-term deposits	16	74,225,000	-
Cash and bank balances	21(b)	88,867,276	172,243,295
		1,190,460,921	982,433,295
Total assets		1,237,966,920	1,021,563,201
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	159,000,000	150,000,000
Share premium account		55,128,198	-
Revenue reserve		244,674,158	87,617,407
Equity attributable to equity holders of the parent		458,802,356	237,617,407
Minority interest	18	12,118,797	2,991,180
Total equity		470,921,153	240,608,587
Non Current liabilities			
Borrowings	19	87,520	990,000
Current liabilities			
Trade and other payables	20	749,322,434	590,259,176
Due to directors	14	16,684,015	7,650,738
Borrowings	19	951,798	175,804,027
Taxation payable		-	6,250,673
		766,958,247	779,964,614
Total equity and liabilities		1,237,966,920	1,021,563,201

The financial statements on pages 23 to 44 were approved by the Board of Directors on 26th March 2007 and were signed on its behalf by:

David Hutchison
Chairman

Bharat Thakrar
Director

Company balance sheet

AS AT 31 DECEMBER 2006

	Note	2006 KShs	2005 KShs
ASSETS			
Non current assets			
Equipment	10(b)	4,579,158	4,953,637
Investment in subsidiaries	11	104,644,733	104,644,733
Deferred tax asset	12	385,525	83,667
		109,609,416	109,682,037
Current assets			
Trade and other receivables	13	263,118,216	239,197,913
Due from related companies	14	94,957,136	6,816,540
Work in progress	15	1,890,787	-
Taxation recoverable		28,002,242	2,039,776
Short-term deposits	16	74,225,000	-
Cash and bank balances		77,656,530	93,418,097
		539,849,911	341,472,326
Total assets		649,459,327	451,154,363
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	159,000,000	150,000,000
Share premium account		55,128,198	-
Revenue reserve		147,025,312	37,646,562
Shareholders' funds		361,153,510	187,646,562
Current liabilities			
Trade and other payables	20	271,211,578	256,063,025
Due to directors	14	16,927,492	7,444,776
Due to related companies	14	166,747	-
		288,305,817	263,507,801
Total equity and liabilities		649,459,327	451,154,363

The financial statements on pages 23 to 44 were approved by the Board of Directors on 26th March 2007 and were signed on its behalf by:

David Hutchison
Chairman

Bharat Thakrar
Director

Consolidated statement of changes in equity

FOR THE PERIOD ENDED 31 DECEMBER 2006

	Share capital KShs	Share premium account	Revenue reserve KShs	Attributable to equity holders of the parent KShs	Minority Interest KShs	Total KShs
For the period to 31st December 2005						
At 1 July 2005	15,000,000		37,499,024	52,499,024		52,499,024
New shares issued	104,500,000	-		104,500,000	-	104,500,000
Bonus share issue	30,500,000		(30,500,000)	-	-	-
Share of subsidiary net assets not acquired by parent	-	-	-		2,916,166	2,916,166
Translation adjustment*	-	-	(4,481,127)	(4,481,127)		(4,481,127)
Profit for the period	-	-	100,099,510	100,099,510	1,375,014	101,474,524
Interim dividend paid by parent	-	-	(15,000,000)	(15,000,000)	-	(15,000,000)
Interim dividend paid by subsidiary	-	-	-	-	(1,300,000)	(1,300,000)
At 31 December 2005	150,000,000	-	87,617,407	237,617,407	2,991,180	240,608,587
For the period to 31st December 2006						
At 1 January 2006	150,000,000	-	87,617,407	237,617,407	2,991,180	240,608,587
Prior year adjustment**	-	-	(2,145,000)	(2,145,000)	-	(2,145,000)
New shares issued	9,000,000	85,050,000	-	94,050,000	-	94,050,000
Initial Public Offering expenses***	-	(29,921,802)	-	(29,921,802)	-	(29,921,802)
Final dividend paid - 2005	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Translation adjustment*	-	-	(7,196,886)	(7,196,886)	-	(7,196,886)
Profit for the year	-	-	186,398,637	186,398,637	9,127,617	195,526,254
At 31 December 2006	159,000,000	55,128,198	244,674,158	458,802,356	12,118,797	470,921,153

* The translation adjustment relates to foreign exchange losses on translation of opening reserves in foreign subsidiaries.

** The prior year adjustment relates to incorporation of deferred tax liability in Lowe Scanad Tanzania Limited for the first time in compliance with International Accounting Standard No. 12 on income taxes.

*** The company's portion of Initial Public offering expenses of KShs 29,921,802 was offset from the share premium account.

Company statement of changes in equity

FOR THE PERIOD ENDED 31 DECEMBER 2006

	Share capital KShs	Share premium account KShs	Revenue reserve KShs	Total KShs
For the period 31st December 2005				
At 1 July 2005	15,000,000	-	37,499,024	52,499,024
New shares issued	104,500,000	-	-	104,500,000
Bonus share issue	30,500,000	-	(30,500,000)	-
Profit for the period	-	-	45,647,538	45,647,538
Interim dividend paid	-	-	(15,000,000)	(15,000,000)
At 31 December 2005	150,000,000	-	37,646,562	187,646,562
For the period 31st December 2006				
At 1 January 2006	150,000,000	-	37,646,562	187,646,562
New shares issued	9,000,000	85,050,000	-	94,050,000
Initial Public Offering expenses*	-	(29,921,802)	-	(29,921,802)
Profit for the period	-	-	129,378,750	129,378,750
Final dividend paid - 2005	-	-	(20,000,000)	(20,000,000)
At 31 January 2006	159,000,000	55,128,198	147,025,312	361,153,510

* The company's portion of Initial Public offering expenses of KShs. 29,921,802 was offset from the share premium account.

Consolidated cash flow statement

FOR THE PERIOD ENDED 31 DECEMBER 2006

	Note	2006 12 months KShs	2005 6 months KShs
OPERATING ACTIVITIES			
Cash generated from operations	21(a)	237,448,867	148,894,845
Interest paid		(1,763,270)	(5,833,069)
Taxation paid		(90,523,888)	(25,196,810)
Net cash generated from operating activities		145,161,709	117,864,966
INVESTING ACTIVITIES			
Purchase of equipment		(17,624,718)	(5,156,192)
Proceeds on sale of equipment		923,112	1,053,956
Acquisition of subsidiary		(7,949,700)	(16,300,000)
Net cash used in investing activities		(24,651,306)	(20,402,236)
FINANCING ACTIVITIES			
Issue of new shares		94,050,000	-
Initial public offering expenses		(29,921,802)	-
Loans repaid		(672,330)	980,000
Dividends paid		(20,000,000)	-
Net cash generated from financing activities		43,455,868	980,000
INCREASE IN CASH AND CASH EQUIVALENTS		163,966,271	98,442,730
ACQUIRED ON ACQUISITION OF SUBSIDIARIES		5,767,334	(67,986,128)
EXCHANGE RATE ADJUSTMENT		(3,080,597)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(3,560,732)	(34,017,334)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21(b)	163,092,276	(3,560,732)

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

Statement of compliance

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

Adoption of new and revised International Financial Reporting Standards

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

- IFRS 7 on Financial Instruments Disclosures and
- IFRS 8 on Operating Segments
- IFRIC 8 - Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

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

Basis of accounting

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

Basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, Lowe Scanad Kenya Limited, McCann Kenya Limited ,Thompson Kenya Limited, Lowe Scanad Tanzania Limited, Lowe Scanad Uganda Limited, Roundtrip Limited (formerly Draft Worldwide East Africa Limited), Scangroup (Mauritius) Limited and FCB Tanzania Limited, whose effective control was transferred on 1 June 2006. The company and subsidiaries' financial statements have been prepared to 31 December 2006.

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

Revenue recognition

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

Trade payables

Trade payables are stated at their nominal value.

Bank borrowings
Bank borrowings are measured at amortised cost.

Investment in subsidiaries

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

Goodwill

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

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

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

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

Impairment

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

Retirement benefits

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

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

Provisions for employee entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued up to the balance sheet date.

Notes to the financial statements

Continuation

2. CRITICAL JUDGMENTS AND ESTIMATES

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. 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. These are dealt with below:

Equipment
Critical estimates are made by the directors in determining the useful lives and depreciation rates for equipment.

Impairment
If an indication exists that the group's assets have suffered an impairment loss at the balance sheet date, the directors estimate the asset's recoverable amount.

3. GEOGRAPHICAL SEGMENTS

	2006 (12 Months) KShs	2005 (6 months) KShs
The group's billings are derived from sales in the following markets:		
Kenya	2,129,992,566	693,956,765
Uganda	234,026,989	78,553,883
Tanzania	648,441,514	89,634,814
	3,012,461,069	862,145,462

4. OPERATING PROFIT

The operating profit is arrived at after charging:

Staff costs (note 5)	372,137,879	143,327,274
Auditors' remuneration	3,766,727	3,730,192
Operating lease rentals	6,093,021	633,320
Depreciation	13,373,049	5,174,068
Directors' remuneration:		
- Fees to non-executive directors	1,340,000	230,466
- Other emolument to executive directors	43,257,955	15,846,551

5. STAFF COSTS

Salaries and wages	356,444,053	135,042,725
Social security costs (NSSF)	6,335,549	1,826,015
Others	9,358,277	6,458,534
	372,137,879	143,327,274

Continuation

	2006 (12 Months) KShs	2005 (6 months) KShs
6. NET FINANCE COSTS		
Interest payable on bank overdraft	1,763,270	5,833,069
Net foreign exchange losses/ (gains)	889,791	(829,650)
	2,653,061	5,003,419

7. TAXATION

	2006	2005
(a) Tax expense		
Current taxation based on the adjusted profit at 30%	83,491,005	30,678,937
Prior year under provision	-	65,697
	83,491,005	30,744,634
Deferred taxation credit (note 12)	(332,981)	(409,515)
	83,158,024	30,335,119
(b) Reconciliation of expected tax based on accounting profit to tax expense Accounting profit before taxation	278,684,278	131,809,643
Tax at the applicable rate of 30%	83,605,283	39,542,893
Tax effect of expenses not deductible for tax purposes	2,313,335	164,291
Withholding tax on dividend received from the foreign subsidiary	6,056,456	
Tax effect of income not taxable	-	(9,437,762)
Tax benefit on IPO expenses written off against share premium account	(8,817,050)	-
Prior year under provision	-	65,697
	83,158,024	30,335,119

8. PROFIT AFTER TAXATION

The profit after taxation dealt with in the financial statements of the holding company is KShs 129,378,750 (2005 - KShs 45,647,538).

9(a). EARNINGS PER SHARE

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

	2006 KShs	2005 KShs
Profit attributable to equity holders of the parent (KShs.)	186,398,637	100,099,510
Weighted average number of shares	153,750,000	103,195,371
Basic earnings per share	1.21	0.97

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

	Number of shares
At 1 January 2006	150,000,000
Issue of new shares on 28 July 2006	9,000,000
Weighted average number of shares	153,750,000

9(b). DIVIDENDS

In respect of the current year, the directors propose that a dividend of KShs 0.80 per share totalling KShs 127,200,000 be paid (2005 interim dividend of KShs 0.30 per share and final dividend of KShs 0.13 per share totalling KShs 35,000,000). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21st May 2007. The payment of this dividend will not have any tax consequences for the Group.

Continuation

10(a). EQUIPMENT – GROUP

	Computers and accessories KShs	Motor vehicles KShs	Furniture, fittings and equipment KShs	Total KShs
COST				
At 1 January 2005	834,150	1,066,776	3,158,159	5,059,085
Acquired on purchase of subsidiaries	23,070,073	13,405,007	28,393,113	64,868,193
Additions	96,105	4,561,889	498,198	5,156,192
Disposal	(535,024)	(1,964,846)	(4,783,956)	(7,283,826)
At 31 December 2005	23,465,304	17,068,826	27,265,514	67,799,644
At 1 January 2006	23,465,304	17,068,826	27,265,514	67,799,644
Acquired on purchase of subsidiaries	6,612,522	1,178,346	3,931,821	11,722,689
Additions	4,717,641	6,130,593	6,776,484	17,624,718
Disposals	(857,053)	(1,754,920)	(2,195,683)	(4,807,656)
Exchange rate adjustment	(946,488)	(948,857)	(2,548,375)	(4,443,720)
At 31 December 2006	32,991,926	21,673,988	33,229,761	87,895,675
DEPRECIATION				
At 1 January 2005	470,597	580,533	1,291,080	2,342,210
Acquired on purchase of subsidiaries	3,284,014	9,570,285	11,749,554	24,603,853
Charge for the year	1,673,622	1,498,333	2,002,113	5,174,068
Eliminated on disposal	(272,025)	(2,307,452)	(382,067)	(2,961,544)
At 31 December 2005	5,156,208	9,341,699	14,660,680	29,158,587
At 1 January 2006	5,156,208	9,341,699	14,660,680	29,158,587
Acquired on purchase of subsidiaries	1,630,098	298,277	513,097	2,441,472
Charge for the period	6,079,000	4,142,893	3,151,156	13,373,049
Eliminated on disposals	(815,748)	(930,721)	(1,238,663)	(2,985,132)
Exchange rate adjustment	(289,621)	(321,720)	(897,114)	(1,508,455)
At 31 December 2006	11,759,937	12,530,428	16,189,156	40,479,521
NET BOOK VALUE				
At 31 December 2006	21,231,989	9,143,560	17,040,605	47,416,154
At 31 December 2005	18,309,096	7,727,127	12,604,834	38,641,057

Continuation

10(b). EQUIPMENT- COMPANY

	Computers and accessories KShs	Motor vehicles KShs	Furniture, fittings and equipment KShs	Total KShs
COST				
At 1 January 2005	834,150	1,066,776	3,158,159	5,059,085
Additions	126,850	2,835,822	-	2,962,672
Disposals	(257,763)	-	-	(257,763)
At 31 December 2005	703,237	3,902,598	3,158,159	7,763,994
At 1 January 2006	703,237	3,902,598	3,158,159	7,763,994
Additions	530,222	-	402,800	933,022
Disposals	-	-	(67,800)	(67,800)
At 31 December 2006	1,233,459	3,902,598	3,493,159	8,629,216
DEPRECIATION				
At 1 January 2005	470,597	580,533	1,291,080	2,342,210
Charge for the year	73,560	415,258	108,666	597,484
Eliminated on disposal	(129,337)	-	-	(129,337)
At 31 December 2005	414,820	995,791	1,399,746	2,810,357
At 1 January 2006	414,820	995,791	1,399,746	2,810,357
Charge for the period	284,119	726,702	248,015	1,258,836
Eliminated on disposals	-	-	(19,135)	(19,135)
At 31 December 2006	698,939	1,722,493	1,628,626	4,050,058
NET BOOK VALUE				
At 31 December 2006	534,520	2,180,105	1,864,533	4,579,158
At 31 December 2005	288,417	2,906,807	1,758,413	4,953,637

11. INVESTMENT IN SUBSIDIARIES, AT COST

	2006 KShs	2005 KShs
Lowe Scanad Kenya Limited (100% owned)	40,000,000	40,000,000
Thompson Kenya Limited (90% owned)	18,000,000	18,000,000
Lowe Scanad East Africa Limited (100% owned)	31,500,000	31,500,000
McCann Kenya Limited (100% owned)	15,000,000	15,000,000
Scangroup (Mauritius) Limited (100% owned)	144,733	144,733
	104,644,733	104,644,733

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

	Shareholding
Lowe Scanad Uganda Limited	100%
Lowe Scanad Tanzania Limited	82%
Roundtrip Limited (formerly Draft Worldwide East Africa Limited)	100%
FCB Tanzania Limited*	100%

* The Group, through its subsidiary Lowe Scanad Tanzania Limited acquired 70% shareholding in FCB Tanzania Limited effective from 1st June 2006. The balance of 30% shareholding in FCB Tanzania Limited was acquired in exchange for 18% shareholding in Lowe Scanad Tanzania Limited in December 2006.

12. DEFERRED TAX ASSET

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

	GROUP		COMPANY	
	2006 KShs	2005 KShs	2006 KShs	2005 KShs
Accelerated (capital allowances)/ depreciation	(1,293,303)	186,772	268,910	123,713
Unrealised exchange losses/(gains)	1,383,148	(58,788)	116,615	(40,046)
Provisions	-	360,865	-	-
	89,845	488,849	385,525	83,667

The movement on the deferred tax account is as follows:				
At beginning of period	488,849	169,641	83,667	169,641
Acquired on purchase of subsidiaries	-	728,723	-	-
Income statement (credit)/charge (note 7)	(332,981)	(409,515)	301,858	(85,974)
Effect of exchange rates	(66,023)	-	-	-
At end of period	89,845	488,849	385,525	83,667

Notes to the financial statements

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2006 KShs	2005 KShs	2006 KShs	2005 KShs
Trade receivables	905,865,784	771,776,733	259,450,359	193,505,380
Staff receivables	9,111,952	4,634,766	876,673	940,669
Prepayments and other receivables	60,231,736	9,441,343	2,791,184	44,751,864
	975,209,472	785,852,842	263,118,216	239,197,913

14. RELATED PARTY TRANSACTIONS

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

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

COMPANY BALANCE SHEET:

Due from related companies

	2006 KShs	2005 KShs
Lowe Scanad Uganda Limited	332,314	167,783
Scanad Marketing Limited	-	6,648,757
Scangroup (Mauritius) Limited	116,717	-
Dividend receivable from Lowe Scanad Tanzania Limited	54,508,105	-
Dividend receivable from Lowe Scanad Kenya Limited	25,000,000	-
Dividend receivable from Roundtrip Limited (formerly Draft Worldwide East Africa Limited)	15,000,000	-
	94,957,136	6,816,540

Due to related companies

Lowe Scanad Tanzania Limited	166,747	-
	166,747	-

	GROUP		COMPANY	
	2006 KShs	2005 KShs	2006 KShs	2005 KShs
Due to directors*	16,684,015	7,650,738	16,927,492	7,444,776

* This amount represents funds made available by a director to meet his share of the costs relating to the IPO of the company. The money is held without interest.

The following transactions were carried out with related companies:

	GROUP		COMPANY	
	2006 KShs	2005 KShs	2006 KShs	2005 KShs
Sale of services	-	-	160,243,230	42,406,160

Remuneration of directors and key management compensation

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

	2006 KShs	2005 KShs
Salaries and other benefits	145,143,923	27,491,441

Directors remuneration (included in key management compensation above)		
Fees for services as directors - non-executive directors	1,340,000	230,466
Other emoluments to executive directors	43,257,955	15,846,551
	44,597,955	16,077,017

15. WORK IN PROGRESS

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

16. SHORT TERM DEPOSITS - GROUP AND COMPANY

	2006 KShs	2005 KShs
Fixed deposits with Oiamond Trust Bank Kenya Limited	69,225,000	-
Call deposits with CFC bank Limited	5,000,000	-
	74,225,000	-

The average rate of interest earned on the fixed deposits was 6.00%. (2005 - nil) while the average interest rate on the call deposits was 5.25%.

Notes to the financial statements

Continuation

17. SHARE CAPITAL

	2006 KShs	2005 KShs
Authorised share capital: Ordinary shares 180,000,000 of KShs. 1 each (December 2005-150,000,000 ordinary shares of KShs. 1 each)	180,000,000	150,000,000
Issued and fully paid share capital Ordinary shares 159,000,000 of KShs. 1 each (December 2005-150,000,000 ordinary shares of KShs. 1 each)	159,000,000	150,000,000

	2006 Number of Shares	2006 KShs	2005 Number of Shares	2005 KShs
At beginning of year	150,000,000	150,000,000	5,000,000	15,000,000
New share issue	9,000,000	9,000,000	34,833,333	104,500,000
Bonus issue	-	-	10,166,667	30,500,000
Share split	-	-	100,000,000	-
At end of year	159,000,000	159,000,000	150,000,000	150,000,000

18. MINORITY INTEREST - GROUP

	12 months to 31 December 2006 KShs	6 months to 31 December 2005 KShs
At beginning of period	2,991,180	-
Minority share of acquired subsidiary	-	2,916,166
Share of profit for the period	9,127,617	1,375,014
	12,118,797	4,291,180
Dividends declared	-	(1,300,000)
At end of the period	12,118,797	2,991,180

19. BORROWINGS

	GROUP	
	31 December 2006 KShs	31 December 2005 KShs
Bank overdraft	-	175,082,379
Hire purchase	1,039,318	1,711,648
	1,039,318	176,794,027
Repayable within one year	951,798	175,804,027
Non current	87,520	990,000
	1,039,318	176,794,027

The group has an overdraft facility with CFC Bank Limited. Details of securities for the facility are as follows:

(i) A joint and several debenture over all the present and future moveable and immovable assets of Scangroup Limited, Lowe Scanad Kenya Limited, Lowe Scanad East Africa Limited, Thompson Kenya Limited, Roundtrip Limited (formerly Draft Worldwide East Africa Limited), McCann Kenya Limited and Grey East Africa Limited in the amount of KShs 100,000,000.

(ii) Joint and several guarantees and indemnities of the directors of Scangroup Limited in the amount of KShs 100,000,000.

(iii) Corporate Guarantees and Indemnities of Lowe Scanad Kenya Limited, Lowe Scanad East Africa Limited, Thompson Kenya Limited, Roundtrip Limited (formerly Draft Worldwide East Africa Limited) and McCann Kenya Limited in the amount of KShs 100,000,000.

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

(v) The hire purchase facility from CFC Bank Limited is in respect of motor vehicle registration number KAT 229Y and is secured over the motor vehicle.

(vi) Personal, joint and several guarantees by the executive directors of Scangroup Limited.

Interest on bank overdraft is charged on the net overdraft due from the group companies in Kenya.

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2006 KShs	2005 KShs	2006 KShs	2005 KShs
Trade payables	582,436,950	530,553,305	256,924,904	249,277,745
Other payables and accruals	166,885,484	59,705,871	14,286,674	6,785,280
	749,322,434	590,259,176	271,211,578	256,063,025

Notes to the financial statements

Continuation

21. NOTES TO THE CASH FLOW STATEMENT

	2006 KShs	2005 KShs
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	281,337,339	105,549,816
Depreciation	13,373,049	5,174,068
Net exchange losses	(889,791)	(2,832,027)
Loss on disposal of equipment	899,412	3,268,326
Exchange rate adjustment for opening reserves	(8,971,242)	-
Operating profit before working capital changes	285,748,767	111,160,183
Increase in trade and other receivables	(189,356,630)	(123,876,663)
Decrease in amounts due from related companies	-	96,389,940
Decrease in work-in-progress	(27,039,805)	6,424,436
Increase in trade and other payables	159,063,258	51,336,429
(Decrease)/increase in amounts due to related companies	-	(190,218)
Increase in amounts due to directors	9,033,277	7,650,738
Cash generated from operations	237,448,867	148,894,845

(b) Analysis of the balances of cash and cash equivalents

as shown in the balance sheet		
Cash and bank balances	88,867,276	172,243,295
Short-term deposits	74,225,000	-
Bank overdraft	-	(175,804,027)
	163,092,276	(3,560,732)

(c) Non cash transactions

In 2005, the group acquired following subsidiaries.

- Lowe Scanad Kenya Limited,
- Lowe Scanad Tanzania Limited,
- Lowe Scanad Uganda Limited,
- Roundtrip Limited (formerly Draft Worldwide East Africa Limited)
- McCann Kenya Limited.
- Thompson Kenya Limited, (acquired 90%)

The fair value of assets acquired and liabilities assumed were as follows:

Notes to the financial statements

Continuation

	2006 KShs	2005 KShs
Total purchase consideration	-	104,500,000
Assets:		
Work in progress	-	2,793,048
Trade and other receivables	-	482,235,688
Taxation recoverable	-	16,435,082
Equipment (net of accumulated depreciation)	-	40,264,710
Deferred taxation	-	728,723
Cash and cash equivalent	-	70,225,877
Due from directors	-	
	-	612,683,128
Liabilities:		
Borrowings	-	138,212,005
Trade and other payables	-	330,408,013
Taxation payable	-	5,383,698
	-	474,003,716
Net (liabilities)/assets acquired	-	138,679,412
Minority interest share of assets (note 18)	-	(2,916,166)
Net(liabilities)/ assets attributable to group	-	135,763,246
Goodwill on acquisition of subsidiaries	-	31,263,246

22. RETIREMENT BENEFIT OBLIGATIONS

The group makes contributions to the statutory defined contribution schemes in the three East African countries where operations are based. Contributions to the statutory schemes are determined by local statutes. For the year ended 31 December 2006, the group contributed KShs. 6,355,549 (2005- KShs. 1,826,015) to the statutory schemes.

23. OPERATING LEASE COMMITMENTS

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

	2006 KShs	2005 KShs
Within 1 year	26,477,138	25,556,268
Within 2 to 3 years	55,436,708	53,030,810
	81,913,846	78,587,078

24. FAIR VALUES

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

Notes to the financial statements

Continuation

25. CONTINGENT LIABILITIES

	2006 KShs	2005 KShs
Pending litigations	3,600,000	3,300,000

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

26. RISK MANAGEMENT POLICIES

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

Credit risk

The group's credit risk is primarily attributable to its trade receivables and bank deposits.

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

The credit risk on trade receivables is limited as the group has no significant concentration of credit risk, with exposure spread over a large number of customers.

The group, through the credit department, evaluates potential customers for credit worthiness before advancing credit.

The credit risk on liquid funds with financial institutions is also low, because the banks in which the liquid funds are held have high credit-ratings.

Liquidity risk

The risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments has been and continues to be addressed by management through proper management of working capital.

27. INCORPORATION

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

28. COMPARATIVES

The financial year was changed from 30th June to 31st December during 2005 consequently the comparative figures are for the six months period ended 31 December 2005.

29. CURRENCY

These financial statements are prepared in Kenya Shillings (KShs).

PROXY FORM

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

I / We ____

of ____

being a member / members of Scangroup Limited, hereby appoint:

____

of (address) ____

or failing him / her ____

of (address) ____

and failing him / her the Chairman of the meeting as my / our proxy to vote for me / us on my / our behalf at the 2008 Annual General Meeting to be held on 19th May 2008 and at any adjournment thereof.

As witness my/our hand this ______________ day of ______________ 2008.

Signature(s) ____

This form is to be used* in favour of / against the resolutions. Unless otherwise instructed, the proxy will vote as he / she thinks fit.

* Delete whichever is not applicable.

Notes:

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

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

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

Scangroup