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SCANGROUP 2010

Scangroup Annual Report & Accounts 2010

Our Vision is

To be the Leading Marketing Services Company in Africa

Our Mission is

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

SCANGROUP

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Notice of the Annual General Meeting 2011

Notice is hereby given that the 2011 Annual General Meeting of Scangroup Limited will be held at the Bomas of Kenya, Langata Road, Nairobi on Tuesday 24th May, 2011 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To read the Notice convening the meeting.
2. To receive, consider and adopt the Balance Sheet and Accounts for the year ended 31st December, 2010 together with the reports of the Directors and Auditors thereon.
3. To consider and approve a first and final dividend totalling Sh. 166,127,025 million being Sh. 0.70 per share for the year ended 31st December, 2010 payable on or about 25th June, 2011 to Shareholders on the Register of Members at the close of business on 24th May, 2011.
4. To approve the remuneration of the Directors as provided in the accounts for the year ended 31st December, 2010.
5. To re-elect Directors:

a. In accordance with Article 93 of the Company's Articles of Association, Mr. Richard Omwela retires by rotation and, being eligible, offers himself for re-election.

b. In accordance with Article 116 of the Company's Articles of Association, Mr. Manish Shah, who was appointed by the Board on 18th April, 2011 retires from office 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, to pass the following resolutions which are proposed as Ordinary Resolutions

7. **Increase in authorized share capital**

   "That pursuant to Article 57 of the Company's Articles of Association, the nominal share capital of the Company be increased from Sh. 254,690,000 divided into 254,690,000 ordinary shares of Sh. 1 each by an amount of Sh. 47,464,855 divided into 47,464,855 new ordinary shares of Sh. 1 each to Sh. 302,154,855 divided into 302,154,855 ordinary shares of Sh. 1 each."

8. **Issue of Bonus Shares**

   "That in pursuance of Article 149 of the Company's Articles of Association and subject to receipt by the Company of the necessary regulatory approvals, such sum in the share premium account amounting to Sh. 47,464,855 be capitalized and that the Directors be and are hereby authorized and directed to appropriate such sum to the holders of ordinary shares registered at the close of business on 24th May 2011 and to apply such sum on behalf of such holders in paying up in full at par 47,464,855 unissued shares in the capital of the Company, such shares to be allotted, distributed and credited as fully paid-up to and amongst such holders in the proportion of One new ordinary share for every Five fully paid-up ordinary shares held on 24th May, 2011 upon the terms that such new shares when issued shall not rank for dividend in respect of the year ended 31st December 2010 but shall rank for all other purposes pari passu with existing issued ordinary shares of the Company and that the Directors be and are hereby also authorized generally to do all acts and things required to give effect to this resolution and to deal with fractions in such manner as they think fit subject always to the Articles of Association of the Company."

By Order of the Board

Margaret M. Kipchumba

Company Secretary

18th April, 2011

Notes:

1. *A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his or her behalf and such proxy need not be a member of the Company. A Proxy form may be obtained from the Company's website, www.scangroup.biz, or from the Share Registrar, Comprite Kenya Limited, 8th Floor, Rehani House, Kenyatta Avenue, Nairobi – P.O. Box 63428-00619 Nairobi. The proxy form should be returned to the Share Registrar, Comprite Limited 8th Floor Rehani House, Kenyatta Avenue, Nairobi, P.O. Box 63428 - 00619 Nairobi, Kenya before 11.00 a.m. on Monday 23rd May 2011. In case of a Member being a limited company, the proxy form must be completed under Common Seal or under the hand of an officer or attorney duly authorised in writing.*
2. *In accordance with Articles 152 & 148 of the Company's Articles of Association, a copy of the entire Annual Report and financial statements may be viewed on our website, www.scangroup.biz, or obtained from the Share Registrar's office at the address given above. An abridged set of the financial statements has been published with this Notice.*
3. *Registration of Members and proxies attending the Annual General Meeting will commence at 7 a.m. 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.*
4. *Transport will be provided for Members between 6.30 a.m. to 10.30 a.m. from town (pick-up and drop-off points: behind Kencom House - Moi Avenue) 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 56, 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 the Insurance Company of East Africa Limited, East Africa Reinsurance Company Limited, East African Packaging Industries Limited, Prime Bank Limited, Synresins Limited, and a Director of a number of companies within the Banda educational and property groups.

Bharat Thakrar

Chief Executive Officer

Bharat, age 59, is the founder shareholder of Scangroup and a Director of all Scangroup subsidiaries and has over thirty-seven years working experience in Advertising and Communications. 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. He has undergone various Executive Management Courses including one at the Harvard Business School.

Richard Omwela

Independent Non-Executive Director

Richard, age 55, 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 on the boards of ABC Bank Limited, Genesis Kenya Investments Limited and Octagon Pension Services Limited.

Muchiri Wahome

Independent Non-Executive Director

Muchiri, age 48, has over 20 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 Grant Balfour Scott

Non-Executive Director

Andrew, age 42, has since 1999 been WPP's Director of Corporate Development leading the Group's global Mergers and Acquisition activity. Andrew also leads WPP's International Specialist Communications Division which contains businesses in a diverse range of marketing services sectors - Promotion and Relationship Marketing, Sports Marketing, Custom Publishing and Media, Technology and Production Services. Prior to joining WPP Andrew was a strategy consultant at LEK Consulting. He holds an MBA with distinction from INSEAD.

Christopher Paul Sweetland

Non-Executive Director

Christopher, age 56, graduated with an honors degree in Pure Maths and trained as a Chartered Accountant at KPMG. Prior to joining WPP in 1989, Chris worked for 9 years at PepsiCo. He is currently Deputy Group CFO with WPP.

Manish Kumar Shah

Finance Director

Manish, age 37, 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 12 years in the advertising and marketing industry having worked with the French advertising group Publics in India prior to joining Scanad in 2003.

Margaret Muhuni-Kipchumba

Company Secretary

Margaret, age 37, was appointed Company Secretary in August 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.

Chairman's Statement

I am pleased to present the annual report for Scangroup Limited for the year ended 31st December 2010.

In many ways, 2010 was a watershed year for the group; our main achievement was the acquisition of part of the Ogilvy group in Africa, mentioned below. This gave us a foothold in some 21 countries in Africa and represents the attainment of the first part of our Africa strategy. We intend now to develop those footholds into strong agencies with improved ties to the group.

The group also performed very well in the year, as stated below under the paragraph on Financial Performance

The Economy

As it represents the majority of our income, I will deal briefly with the Kenyan economy.

The GDP growth for 2010 is expected to be in the region of 5% compared to 2.6% in 2009. The latest figures available from the Kenya Bureau of Statistics show that the economy grew by 5.4% in the first three quarters of 2010 compared to 2.3% for the similar period in 2009.

The increase in growth was attributed to, amongst other factors, the rainfall experienced towards the end of 2009 and early 2010, which had a positive impact on agriculture and electricity generation. The annual average inflation declined from 9.2% in 2009 to 4% in December 2010. The average interest rate on 91-day Treasury Bills fell to 2.28% in December 2010 from 6.82% in December 2009.

2011 Outlook – The recent global events and rise in fuel prices has seen increase in costs leading to higher inflationary factors, which is bound have an impact on the GDP growth in 2011. Despite these factors, the long term outlook for the economy remains positive as the economy benefits from the global rebound, regional integration and structural reforms.

The Group's Financial Performance

2010 experienced significant growth in advertising spends across the region; this was reflected in our billings which grew by 92% overall. This includes the consolidation of the Ogilvy businesses acquired in October 2010.

Our revenues grew to Sh. 2.3 billion, a growth of 44% from 2009. Kenya contributed 70% of our revenues (2009: 80%). This trend was as a result of increased footprint outside Kenya. Advertising and Media contributed to 84% of the revenue and grew by 38% whilst Speciality communication contributed to 3% of our revenues and grew by 22%. Our Public Relations, Research and Digital businesses contributed 4%, 6% and 3% respectively.

Profit Before Tax increased by 54% to Sh. 838.4 million from Sh. 544.1 million in 2009. Profit Before Tax is after accounting for income of Sh. 172.2 million (2009: Sh. 92.2 million) being income from interest and gain on sale of Government of Kenya securities.

The Company's basic earnings per share grew by 43% to Sh. 2.58 per share, calculated on a weighted number of shares.
The Group's performance for the last five years is given on page 8.

Dividend and Bonus Issue

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. 166.13 million for the year ended 31st December 2010 (2009: Sh. 0.50 per share amounting to Sh. 110.3 million). The total dividend payout represents 51% growth over 2009, and per share, it represents growth of 40%. The level of dividend payout recommended considers the group's future working capital requirements which increase with growth. In addition, a very large amount of our working capital is tied up in VAT refund claims, which is a major concern for us as the time taken by Kenya Revenue Authority to process these claims is unacceptably long. This is becoming a serious issue throughout the economy.
Your Board has also recommended a bonus issue of one ordinary share for every five ordinary shares held on 24th May 2011, which if approved, will result in issue of additional new ordinary shares of 47,464,855.
Details of the proposed dividend and bonus issue are contained in the Notice of the AGM.

Africa Expansion

In 2010, we achieved a significant milestone by acquiring 51% and 50% shareholdings in O&M Africa BV and Ogilvy East Africa Limited (Ogilvy businesses), respectively. The acquisition was successfully completed in October 2010, and provides the Company with a platform for developing a truly world-class marketing communication network across Africa. This will also result in positive benefits to our clients seeking a Pan-African communication network as we now have a significant footprint in various countries in Sub-Saharan Africa through the Ogilvy affiliate partners.

Our long term strategy to expand in Sub- Saharan Africa will continue and we intend to do this by seeking to acquire controlling stakes in the Ogilvy affiliates or setting up Greenfield operations. Our expansion strategy will mainly be driven by factors such as existing client requirements for support in-market and the existence of local business opportunities.

New Joint Venture

In March 2010, the Company launched a field marketing agency, Smollan East Africa Limited, through a joint venture with the Smollan Group of South Africa. This joint venture provides services such as field marketing, market intelligence and brand activation. It offers our clients an opportunity to outsource their field marketing services in the region to ensure adequate stock levels in all retail outlets and supermarkets.

In May 2010, we extended our footprint to West Africa with the launch of Millward Brown West Africa, to provide advertising research services for our clients in that territory.

The Board

The Directors who held office in 2010 and upto the date of this report are listed on page 10. Mr. Andrew White, the Group's Executive Creative Director, has taken up the role of developing creative resources across the region which is critical for our Africa Expansion strategy. Consequently, to dedicate more time towards his new role, he resigned from the Board on 18th April 2011. His service to the Group has been remarkable; he was one of the founders of the Scangroup, and has had the role of Creative Director. He will continue with the Group on a full time basis

Chairman's Statement (Continued)

I am pleased to report that in its meeting on 18th April 2011, the Board appointed Mr. Manish Kumar Shah as Finance Director. Mr. Shah has been with Scangroup as the Chief Finance Officer from 2003 and has made valuable contribution to the growth of the Company. He is a member of the Institute of Certified Public Accountants of Kenya and The Institute of Chartered Accountants of India. His appointment will be considered at the forthcoming Annual General Meeting.

I wish both gentlemen the very best in their new roles and look forward to their continued support.

Our People
Our employees are our key assets and we are continuously working on improving our employee value and reward assessment. We have engaged with employees through the following initiatives:

Employee Share Ownership Plan (ESOP)
The Scangroup ESOP scheme was introduced in 2007 with the objective of providing a mechanism for retaining key talent within the group. The Scheme has been well received and during the year 2,754,249 share options were exercised by employees.

Mentorship Programme
This initiative, started in 2009, has provided opportunity for nurturing budding creative talent to participate in client pitches and campaigns under personalized supervision of senior creative personnel. This programme has been successful in producing local creative talent.

Training
In 2010, we engaged in various external and internal training programmes which included Foundation to Advertising for junior staff run by the Association of Advertising Practitioners (APA) and Internal Brand Position Workshops run each quarter using our Brand Positioning tool. This training was given in several modules on a quarterly basis by imparting knowledge for the employees to be able to manage and create a brand. These training programmes equip employees with better understanding of the business and best industry practices.

Corporate Governance
The Board and its committees, the Audit & Risk Management Committee and the Nominating and Remuneration Committee hold regular meetings to exercise oversight functions on the Company's financial activities, risk management practices as well as human resource management. I am pleased to report that in the year under review the Board and committees substantially complied with their mandates.

Corporate Social Responsibility (CSR)
As part of our long-term vision to contribute to the well-being of the community and the business environment in which we operate, the Company over the last year continued with its on-going support of various initiatives shown below.

United Nations Global Compact
April 2010 saw us sign up to the United Nations Global Compact, a policy platform and practical framework for companies that are committed to sustainability and responsible business practices. The United Nations Global Compact framework has at its core ten universally accepted principles in the areas of human rights, labor, environment and anti–corruption. In 2010, our key focus was in the area of environment. On a pro-bono basis, Scanad Kenya Limited is continuously creating awareness of 'Nairobi Greenline', an initiative by Kenya Wildlife Service and Kenya Association of Manufacturers. This initiative is directed towards protecting national parks around the country. So far the initiative has planted over 50,000 trees around the Nairobi National Park. This project will expand with the launch of the 'Nakuru Greenline' set to take place later on this year.

Uwiano Platform for Peace
McCann Kenya Limited undertook this project under Peacenet and the United Nations Development Program secretariat prior to last year's referendum. A print and radio campaign developed by McCann spread the message of respect, peace and acceptance of other people's views during the month leading up to the successful 2010 referendum.

Childlife Trust – Children's Voices
Over the years, we have contributed to various activities run by Childlife Trust. Last year Scanad Kenya Limited was actively involved in the development of communication material for Children's Voices, a conference held every year that gives Kenyan children a chance to discuss issues pertinent to them and empowers them to educate other children. Last year's conference was held in July and was dubbed "Children's Voices on the Constitution - Yes or No, the Children want Peace."

The above was in addition to various other projects that the group has contributed to in the course of the year. In 2011 we hope to widen our CSR footprint as we continue in our effort to make a positive difference.

Going Forward
Acquisition of the Ogilvy businesses has provided the spine on which to build our expansion strategy in Sub-Saharan Africa. This, together with increasing contribution from 'Below The Line' offerings, will spread the risk across the continent and reduce significant reliance on the mainline revenue streams of advertising and media. On the talent front, we will continue to develop local talent across the region and work towards retaining and attracting key talent through suitable retention schemes and incentive programmes.

Appreciation
In conclusion, I would like to thank you, our Shareholders, for your confidence in the Company, our loyal clients who support us in our vision of being a truly Pan-African group providing best-in-class marketing services, our CEO, Bharat Thakrar, and his entire team across the group for their commitment to this vision, and last but not least, I wish to thank my fellow Directors on the Board for their diligence and wise-counsel.

David Hutchison

Chairman
18th April 2011

Corporate Governance Statement

The Company has adopted the Capital Markets Authority guidelines on corporate governance practices by public listed companies in Kenya which have been developed to strengthen corporate governance practices and to promote the standards of self-regulation so as to bring the level of governance in line with international trends.

Board Composition
The Directors who held office during the year under review and to the date of this report are listed on page 10. The Board currently comprises seven Directors. Two are executive Directors and five are non-executive Directors. Of the five non-executive Directors, three, including the Chairman, are independent.

Board Responsibilities
The Board schedules at least four quarterly meetings during the year and holds additional meetings as and when required. The Board's responsibilities are set out in its Charter which defines the governance parameters within which the Board exists and sets out specific responsibilities to be discharged by the Directors collectively as well as certain roles and duties incumbent upon directors as individuals. Except for direction and guidance on general policy, the Board has delegated authority to the Chief Executive Officer for the effective and efficient running of the day-to-day business of the Company and its subsidiaries. The Board nonetheless retains the responsibility for establishing and maintaining the Company's overall internal control of financial, operational and compliance matters.

Directors' Remuneration
The Nominating & Remuneration Committee is mandated to review the salaries, benefit packages and service contracts of the executive Directors to ensure that the same are competitively structured and linked to performance. The executive Directors are not present when their remuneration is discussed.

The Non-executive Directors are paid a quarterly fee together with a sitting allowance for every meeting attended. They are not eligible for membership of the Company's pension scheme and do not participate in the Company's remuneration or bonus schemes. Details of fees paid to the non-executive Directors and remuneration and emoluments paid to the executive Directors have been disclosed in page 36.

Board Committees
The Board has established committees to assist in providing detailed attention to specific areas. The Board and its committees operate in terms of agreed mandates that set out their terms of reference. The Committees of the Board are as follows:

Audit & Risk Management Committee
The Audit & Risk Management Committee meets at least four times a year and at such other times as circumstances may dictate. Its membership includes three non-executive directors; David Hutchison (Chairman) Richard Omwela and Christopher Sweetland. The Chief Executive Officer, 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, identification, assessment and effectiveness of business risk management processes and liaison with the external auditor. The Committee is also authorized by the Board to investigate any matter within its terms of reference and to seek any information it requires from any Company employee and retain external legal, accounting or other independent professional advisors as it considers necessary in discharging its responsibilities.

Nominating & Remuneration Committee
Membership of the Nominating & Remuneration Committee comprises of David Hutchison (Chairman) Richard Omwela, Muchiri Wahome, Andrew Scott and the CEO, Bharat Thakrar. The Committee meets as required but at least once a year. The Committee is responsible for identifying and nominating for approval by the Board, candidates to fill Board vacancies as and when the need arises and in particular, give consideration to succession planning taking into account the challenges and opportunities facing the Company and ensure the necessary skills and expertise are available on the Board in the future. The Committee is responsible for monitoring and appraising the performance of senior management, reviewing human resources policies and determining the group's remuneration and incentive payment programmes.

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

Internal Controls
The Board is responsible for the Company's systems of internal controls. It sets appropriate policies on internal control, and regularly, through the internal audit function which is independent of the activities of management, conducts a review of the effectiveness of these internal controls. The review covers all material controls, including financial, operational compliance, as well as risk management procedures.

Communication with Shareholders
Information on the shareholding is provided in page 7. The Company values its relationship with Shareholders and ensures regular and open communication through yearly and half-yearly publication of its financial performance, publication of the Annual Report and holding of the Annual General Meeting and other general meetings prescribed by law. Shareholders have direct access and are free to raise any issues with the Share Registrar and the Company Secretary.

Shareholding

Summary of Shareholders as at 31st December 2010

Category	Total number of shareholders	Total number of shares held	Shareholding % of issued share capital
Foreign Investors	312	127,103,732	54.18%
East African Individuals	27,766	62,835,884	26.79%
East African Institutions	1,452	44,630,408	19.03%
Total	**29,530**	**234,570,024**	**100.00%**

Range	Total number of shareholders	Total number of shares	% of issued share capital
1 - 500	23,977	7,827,680	3.34%
501 - 1,000	2,633	2,113,855	0.90%
1,001 - 5,000	2,207	5,007,721	2.13%
5,001 - 10,000	317	2,429,192	1.04%
10,001 - 50,000	299	5,953,977	2.54%
50,001 - 100,000	31	2,286,069	0.97%
100,001 - 500,000	44	9,673,781	4.12%
500,001 - 1,000,000	8	6,140,025	2.62%
Above 1,000,000	14	193,137,724	82.34%
Total	**29,530**	**234,570,024**	**100.00%**

TOP 10 INVESTORS AS AT 31ST DECEMBER 2010

Rank	Name	Total number of shares held	% of issued capital
1	Cavendish Square Holding BV	60,689,655	25.87%
2	Thakrar, Bharat	45,523,800	19.41%
3	Barclays (Kenya) Nominees Ltd. Non-Resident A/C 9300	21,930,900	9.35%
4	White, Andrew John Laird	19,755,000	8.42%
5	Bora Services Ltd A/C Scangroup Ltd – AB/S/1522/8	14,585,000	6.22%
6	Ogilvy South Africa (Proprietary) Limited	10,756,547	4.59%
7	Standard Chartered Nominees Non-Resident A/C 9296	5,863,300	2.50%
8	CFC Stanbic Nominees Ltd A/C NR13301	3,388,800	1.44%
9	Chase Bank (Kenya) Limited	3,123,822	1.33%
10	Barclays (Kenya) Nominees Limited A/C 9230	2,141,500	0.91%
	Total	**187,758,324**	**80.04%**

Five Years Group Financial Review

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	31-Dec 2010 Sh '000	31-Dec 2009 Sh '000	31-Dec 2008 Sh '000	31-Dec 2007 Sh '000	31-Dec 2006 Sh '000
Billings	11,363,839	5,920,012	5,789,716	4,773,411	3,012,461
Revenues	2,345,554	1,624,029	1,436,892	1,157,088	829,574
Investment Income	172,170	92,221	14,281	-	-
Profit Before Taxation	838,396	544,100	436,755	352,814	278,686
Taxation Charge	(197,811)	(142,952)	(120,966)	(108,381)	(83,158)
Profit After Tax	640,585	401,148	315,789	244,433	195,528
Non-controlling interests	(61,998)	(2,648)	(8,767)	(7,133)	(9,128)
Profit Available to Scangroup shareholders	578,587	398,500	307,022	237,300	186,400
	Sh	Sh	Sh	Sh	Sh
Earnings Per Share (EPS) - Note 1	2.58	1.81	1.79	1.49	1.21
Number of shares	223.92 million	220.69 million	171.47 million	159.25 million	153.75 million

Note 1
The EPS is calculated using weighted average number of shares in issue during the year

	31-Dec 2010 Sh '000	31-Dec 2009 Sh '000	31-Dec 2008 Sh '000	31-Dec 2007 Sh '000	31-Dec 2006 Sh '000
CONSOLIDATED BALANCE SHEET DATA					
ASSETS					
Non - Current Assets	891,539	719,703	180,133	141,757	47,505
Current Assets	7,117,892	3,213,445	3,580,931	1,611,878	1,190,461
Total Assets	**8,009,431**	**3,933,148**	**3,761,064**	**1,753,635**	**1,237,966**
Non Current Liabilities	191,143	11,620	4,065	3,481	88
Current Liabilities	4,240,483	1,555,306	1,677,535	1,146,493	766,955
Total Equity	3,577,805	2,366,222	2,079,464	603,661	470,923
Total Equity and Liabilities	**8,009,431**	**3,933,148**	**3,761,064**	**1,753,635**	**1,237,966**

Corporate Information

DIRECTORS	David Hutchison*	Chairman
	Bharat Thakrar	Chief Executive Officer
	Andrew White**	Group Creative Director (resigned on 18/04/2011)
	Manish Shah***	Alternate Director to Andrew White 30/11/2010 to 18/04/2011 Appointed Finance Director on 18/04/2011
	Richard Omwela	Non-Executive Director
	Muchiri Wahome	Non-Executive Director
	Andrew Scott*	Non-Executive Director
	Christopher Sweetland*	Non-Executive Director

* British
** Australian
*** 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
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Telephone: +254 (20) 2710021, 2799000

AUDITORS

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

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

Comprite Kenya Limited
8th Floor, Rehani House
Kenyatta Avenue
P.O. Box 64328–00619 Nairobi

Corporate Information

SUBSIDIARIES AND ASSOCIATE COMPANIES	ACTIVITIES
Scanad East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Holding company for Roundtrip Limited, Scanad Tanzania Limited and Scanad Uganda Limited
Scanad Kenya Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency
J. Walter Thompson Kenya Limited Laiboni Centre, 4th Floor, Lenana Rd. P.O. Box 6642 00300,Nairobi,	Advertising agency
McCann Kenya Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency
Roundtrip Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Speciality communication company provides services such as experiential marketing, public relations, activation and event management.
Grey East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi	Advertising agency
Redsky Limited Baobaob Suite, 1st Floor, Riverside, P.O. Box 34537 - 00100 Nairobi	Advertising agency
Media Compete East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi.	Media agency
Hill & Knowlton East Africa Limited Baobaob Suite, 1st Floor, Riverside, P.O. Box 34537 - 00100 Nairobi.	Public Relations agency
Squad Digital Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi.	Digital advertising
Smollan East Africa Limited The Chancery, 5th Floor Valley Road P.O. Box 34537 - 00100 Nairobi.	Field Marketing
Ogilvy Africa Limited, Baobaob Suite, 1st Floor, Riverside, P.O. Box 34537 - 00100 Nairobi	Advertising agency
Ogilvy East Africa Limited CVS Plaza, 3rd Floor, Lenana Road P.O. Box 30280 - 00100 Nairobi	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

Corporate Information (Continued)

Ogilvy & Mather (Eastern Africa) Limited CVS Plaza, 3rd Floor, Lenana Road P.O. Box 30280 - 00100 Nairobi	Advertising agency
Ogilvy Africa Media Limited CVS Plaza, 3rd Floor, Lenana Road P.O. Box 30280 - 00100 Nairobi	Advertising agency
Blueprint Marketing Limited CVS Plaza, 4th Floor, Lenana Road P.O. Box 30280 - 00100 Nairobi	Advertising agency
Ogilvy Public Relations Limited CVS Plaza, 3rd Floor, Lenana Road P.O. Box 30280 - 00100 Nairobi	Advertising agency
Mindshare Kenya Limited CVS Plaza, 3rd Floor, Lenana Road P.O. Box 30280 - 00100 Nairobi	Media agency
Millward Brown East Africa Limited Nairobi Business Park Ngong Road P.O. Box 43233 – 00100 Nairobi (Scangroup owns 49% of the issued share capital)	Advertising research
Scanad Tanzania Limited P.P.F Tower, 17th Floor Ohio street P.O. Box 78769 Dar es Salaam	Advertising agency and parent company for JWT Tanzania Limited.
J.Walter Thompson Tanzania Limited Milimani City Building 2, Ground Floor, Sam Nujoma Road P.O. Box 2369	Advertising agency
Ogilvy Tanzania Limited 7th Floor Amani Place, Ohio Street	Advertising agency
Scanad Uganda Limited Murtala Courts, 3rd Floor Lumumba Avenue P.O. Box 7667, Kampala	Advertising agency
Scangroup Mauritius Holdings Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Investment Company & parent company of Scangroup (Mauritius) Limited
Scangroup (Mauritius) Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Investment company & parent company of Scangroup (Malawi) Limited Scangroup Mozambique Limitada Scangroup West Africa Limited Scangroup (Zambia) Limited
MIA Mauritius Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Media agency
Media Buying Africa Limited FairFax House, 2nd Floor 21 Mgr Gonin Street Port Louis, Republic of Mauritius	Investment company & parent company of Redsky Ghana Limited

Corporate Information (Continued)

Scangroup (Malawi) Limited Aquarius House, Capital City P.O. Box 30636 Lilongwe 3, Malawi	Media agency
Scangroup (Zambia) Limited Plot 2386, Longolongo Road P.O. Box: 32115 Lusaka Zambia	Media agency
Scangroup Mozambique Limitada Predio 33 Andares 16 Andar Maputo, Mozambique	Media agency
Redsky Ghana Limited Liberation Road P.O. Box 453, Accra	Dormant
Scangroup West Africa Limited 48 Falolu Road Surulee, Lagos, Nigeria	Dormant
Millward Brown West Africa House No. 94/2 Secong Ridge Link, North Ridge Accra, Ghana	Advertising research
Millward Brown Mauritius C/o Multiconsult Limited Rogers House 5 President John Kennedy Street, Port Luis, Republic of Mauritius (Scangroup owns 49% of the issued share capital)	Holding company of Millward Brown West Africa

Report of the Directors

The Directors present their report together with the Group's audited financial statements for the year ended 31 December 2010.

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.

Developments During the Year

On 30th April, 2010 the Company entered into a conditional share purchase agreement for the acquisition of 51% shareholding in O & M Africa BV and a 50% shareholding in Ogilvy East Africa Limited. The total consideration agreed was Sh 234 million which was paid partly in cash and partly by issuing new ordinary shares of 13,880,369 in the Company. Upon receiving the necessary approvals, the transaction was concluded on 8th October, 2010. Accordingly, the results of these entities have been consolidated from that date.

Results

	Sh'000
Profit before Taxation	838,396
Taxation charge	(197,811)
Profit for the year	640,585
Other Comprehensive Income	27,825
Total Comprehensive Income	**668,410**

Dividends

The Directors propose a first and final dividend Sh. 0.70 per share totalling Sh. 166,127,025 (2009: Sh. 110,344,828 being Sh. 0.50 per share).

The payment of dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements. The proposed dividend is payable to all Shareholders on the Register of Members on 24th May 2011. Dividend payment will be subject to withholding tax, where applicable. The bonus shares referred below shall not be entitled to this dividend.

Bonus Issue

The Directors recommend, subject to regulatory approval and that of the Shareholders, to make a bonus issue in the proportion of 1 new ordinary share for every 5 fully paid up ordinary shares held, to those Shareholders registered at the close of business on 24th May, 2011. Such new shares will rank pari passu in all respect with the existing shares in the Company, except that such new shares shall not be entitled to the above dividend in respect of year ended 31st December, 2010.

Directors

The current members of the Board of Directors are as shown on page 10. Mr. Richard Omwela retires by rotation under the provisions of Article 93 of the Articles of Association and, being eligible offers himself for re-election. Mr. Manish Kumar Shah retires in accordance with Article 116 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

18 April 2011

Nairobi

Statement of Directors' Responsibilities

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

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 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 Group and the company and of Group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

David Hutchison
Director

Bharat Thakrar
Director

18 April 2011

Independent Auditors' Report to the Members of Scangroup Limited

Deloitte.

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

Tel: +254 (20) 423 0000
+254 (20) 444 1344/05-12
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Dropping Zone No. 92
E-mail: admin@deloitte.co.ke
www.deloitte.com

Report on the Financial Statements

We have audited the accompanying financial statements of Scangroup Limited and its subsidiaries,set out on pages 19 to 55 which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company and of its subsidiaries as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
(b) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
(c) the company's statement of financial position is in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)
18 April 2011
Nairobi

Consolidated Statement of Comprehensive income
for the Year Ended 31 December 2010

	Notes	2010 Sh'000	2009 Sh'000
Billings	3	11,363,839	5,920,012
Direct costs		(9,018,285)	(4,295,983)
Revenue	3	2,345,554	1,624,029
Other income		899	1,492
Administration expenses		(1,515,076)	(1,069,866)
Operating expenses		(171,200)	(102,862)
Income from investments	4	172,170	92,221
Finance income/(costs)	5	6,049	(914)
Profit before taxation	6	838,396	544,100
Taxation charge	8	(197,811)	(142,952)
Profit for the year	9	640,585	401,148
Other comprehensive income:			
Exchange difference on translating foreign operations		5,684	(5,252)
Fair value gains on financial assets (available for sale)	13	22,141	34,432
Other comprehensive income		27,825	29,180
Total comprehensive income		**668,410**	**430,328**
Profit attributable to:			
Equity holders of the parent company		578,587	398,500
Non-controlling interests	22	61,998	2,648
		640,585	**401,148**
Total comprehensive income attributable to:			
Equity holders of the parent company		606,412	428,537
Non-controlling interests		61,998	1,791
		668,410	**430,328**
Basic earnings per share (Sh)	10	**2.58**	**1.81**
Diluted earnings per share (Sh)	10	2.55	1.81

Consolidated Statement of Financial Position

31 December 2010

		2010	2009
		Sh'000	Sh'000
Assets			
Non current assets			
Equipment	12(a)	221,491	99,771
Kenya Government Securities	13	265,818	528,997
Deferred tax asset	15	88,559	7,387
Goodwill	16	315,671	83,548
		891,539	**719,703**
Current assets			
Taxation recoverable	8(c)	30,646	32,212
Trade and other receivables	17	4,822,688	2,460,545
Due from related parties	18(a)	3,082	11,994
Work-in-progress	19	61,672	31,926
Short-term bank deposits	20	1,512,547	497,378
Cash and bank balances		687,257	179,390
		7,117,892	3,213,445
Total assets		**8,009,431**	**3,933,148**
Equity and Liabilities			
Capital and reserves			
Share capital	21	234,570	220,690
Share premium account		1,680,666	1,328,105
Revenue reserve		1,248,761	780,519
Investments revaluation reserve		56,573	34,432
Translation reserve		(4,222)	(9,906)
Equity settled employee benefits reserve	21(b)	40,625	-
Equity attributable to equity holders of the parent		3,256,973	2,353,840
Non-controlling interests	22	320,832	12,382
Total equity		**3,577,805**	**2,366,222**
Non Current liabilities			
Deferred Tax Liability	15	3,694	-
Loan due to a related party	18(c)	186,937	9,795
Finance leases	23	512	1,825
		191,143	**11,620**
Current liabilities			
Taxation payable	8(c)	69,767	18,905
Due to related parties	18(d)	642	18,400
Finance leases	23	2,394	2,005
Bank overdraft	24	21,152	-
Trade and other payables	25	4,140,532	1,508,378
Dividends payable	26	5,996	7,618
		4,240,483	1,555,306
Total equity and liabilities		**8,009,431**	**3,933,148**

The financial statements on pages 19 to 55 were approved and authorized for issue by the Board of Directors on 18th April 2011 and were signed on its behalf by:

David Hutchison
Director

Bharat Thakrar
Director

Company Statement of Financial Position

31 December 2010

		2010	2009
		Sh'000	Sh'000
Assets			
Non current assets			
Equipment	12(b)	72,790	23,138
Kenya Government Securities	13	265,818	528,997
Investment in subsidiaries	14(a)	811,076	189,679
Investment in joint venture	14(b)	47,249	14,700
Long term loan to subsidiary company	18(b)	10,195	10,195
Deferred tax asset	15	22,508	2,967
		1,229,636	**769,676**
Current assets			
Trade and other receivables	17	1,021,245	800,395
Due from related parties	18(a)	103,106	230,654
Work-in-progress	19	22,444	7,210
Short-term deposits	20	1,312,547	497,378
Cash and bank balances		9,675	217,159
		2,469,017	**1,752,796**
Total assets		**3,698,653**	**2,522,472**
Equity and Liabilities			
Capital and reserves			
Share capital	21(a)	234,570	220,690
Share premium account		1,680,666	1,328,105
Revenue reserve		476,145	278,234
Investments revaluation reserve		56,573	34,432
Equity settled employee benefits reserve	21(b)	40,625	-
Shareholders' funds		**2,488,579**	**1,861,461**
Non current liabilities			
Finance leases	23	-	1,049
Current liabilities			
Taxation payable	8(c)	11,726	2,692
Due to related parties	18(d)	114,978	29,368
Finance leases	23	-	669
Trade and other payables	25	1,077,374	619,615
Dividends payable	26	5,996	7,618
		1,210,074	**659,962**
Total equity and liabilities		**3,698,653**	**2,522,472**

The financial statements on pages 19 to 55 were approved and authorized for issue by the Board of Directors on 18th April 2011 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 2010

	Share capital	Share Premium Account	Revenue reserve	Investments revaluation reserve*	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
Year Ended 31 December 2009									
At 1 January 2009	220,690	1,328,105	517,798	-	(5,511)	-	2,061,082	18,382	2,079,464
Profit for the year	-	-	398,500	-	-	-	398,500	2,648	401,148
Other comprehensive income / (losses)	-	-	-	34,432	(4,395)	-	30,037	(857)	29,180
Total comprehensive income	-	-	398,500	34,432	(4,395)	-	428,537	1,791	430,328
Dividend declared - 2008	-	-	(135,779)	-	-	-	(135,779)	-	(135,779)
Interim dividend paid	-	-	-	-	-	-	-	(7,791)	(7,791)
At 31 December 2009	**220,690**	**1,328,105**	**780,519**	**34,432**	**(9,906)**	**-**	**2,353,840**	**12,382**	**2,366,222**
Year Ended 31 December 2010									
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
Total comprehensive income	-	-	578,587	22,141	5,684	-	606,412	61,998	668,410
Dividend declared - 2009	-	-	(110,345)	-	-	-	(110,345)	-	(110,345)
Shares issued (note21(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**

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

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

*** The company issued 13,880,369 new shares at volume weighted average traded price on the Nairobi Stock Exchange (NSE) of the shares of the company for the 120 trading day period to 26th April, 2010 ("Issue Price") towards part consideration for the acquisition of Ogilvy Entities.
The Issue Price for these new shares was determined at Sh 26.40 per each ordinary share having par value of Sh 1.00 each.

**** The equity settled employee benefits reserve relates to share options granted by the company to its employees under its employee share option plan.

Company Statement of Changes in Equity
for the Year Ended 31 December 2010

	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
Year Ended 31 December 2009						
At 1 January 2009	220,690	1,328,105	202,443	-	-	1,751,238
Profit for the year	-	-	211,570	-	-	211,570
Other comprehensive income	-	-	-	34,432	-	34,432
Total comprehensive income	-	-	211,570	34,432	-	246,002
Dividend declared - 2008	-	-	(135,779)	-	-	(135,779)
At 31 December 2009	220,690	1,328,105	278,234	34,432	-	1,861,461
Year Ended 31 December 2010						
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
Total comprehensive income	-	-	308,256	22,141	-	330,397
Dividend declared - 2009	-	-	(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**

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

** The company issued 13,880,369 new shares at volume weighted average traded price on the Nairobi Stock Exchange (NSE) of the shares of the company for the 120 trading day period to 26th April, 2010 ("Issue Price") towards part consideration for the acquisition of Ogilvy Entities.

The Issue Price for these new shares was determined at Sh 26.40 per each ordinary share having par value of Sh 1.00 each.

*** The equity settled employee benefits reserve relates to share options granted by the company to its employees under its employee share option plan.

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2010

Cash Flows from Operating Activities

	Note	2010 Sh'000	2009 Sh'000
Cash generated from operations	27(a)	1,200,564	424,526
Taxation paid	8(c)	(187,712)	(118,512)
Net cash generated from operating activities		1,012,852	306,014

Cash Flows from Investing Activities

Purchase of equipment	12(a)	(153,249)	(35,038)
Proceeds on sale of equipment		2,915	3,877
Acquisition of Ogilvy entities (cash portion)	16	(53,609)	-
Proceeds from sale of/(Purchase of) infrastructure bonds		368,965	(494,565)
Income received from investments		163,637	69,961
Net cash generated from /(used in) investing activities		328,659	(455,765)

Cash Flows from Financing Activities

Dividends paid	26	(111,967)	(140,449)
Finance leases repaid	23	(3,446)	(1,876)
Loan and capital received from other shareholder		238,464	9,795
Net cash generated from /(used in) financing activities		123,051	(132,530)
Net increase /(decrease) in cash and cash equivalents	27(b)	1,464,562	(282,281)

Movement in cash and cash equivalents

At beginning of the year		676,768	964,691
Increase/(decrease) during the year		1,464,562	(282,281)
Effect of fluctuations in exchange rates		3,822	(5,642)
Cash balance acquired on acquisition of Ogilvy entities		33,500	-
Cash and cash equivalents at end of the year	**27(b)**	**2,178,652**	**676,768**

1 Accounting Policies

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

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

Adoption of new and revised 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 been applied in the current period and have affected the amounts reported in these financial statements.

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)
- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)
- Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)
- Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)
- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)
- IFRS 3 (Revised 2008), Business Combinations – comprehensive revision on applying the acquisition method(Effective for annual periods beginning on or after 1 July 2009)
- IAS 27, Consolidated and Separate Financial Statements; IAS 28, Investments in Associates; and IAS 31, Interests in Joint Ventures – consequential amendments arising from amendments to IFRS 3 (Effective for annual periods beginning on or after 1 July 2009).

Impact of the relevant new and revised standards and interpretations in issue

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

This amendment has had no effect on the amounts reported in prior years because the group has not previously issued instruments of this nature.

1 Accounting Policies (Continued)

Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)

The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

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 present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements

IFRS 3 (revised in 2008) Business Combinations

The impact of the application of IFRS 3(2008) is as follows.

- IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition.

- Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- IFRS 3(2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the group and the acquiree.

- IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

As part of *Improvements to IFRSs* issued in 2010, IFRS 3(2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition (see above) 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, as part of Improvements to IFRSs issued in 2010, IFRS 3(2008) was amended to give 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').

1 **Accounting Policies (Continued)**

(b) Relevant new and revised IFRSs in issue but not yet effective

- IFRS 7, Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets (Effective for annual periods beginning on or after 1 January 2011)

- IFRS 9, Financial Instruments – Classification and Measurement (Effective for annual periods beginning on or after 1 January 2013)

- IAS 24, Related Party Disclosures – revised definition of related parties (Effective for annual periods beginning on or after 1 January 2011)

- IAS 32, Financial Instruments: Presentation – amendments relating to classification of rights issues (Effective for annual periods beginning on or after 1 February 2010)

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (Effective for annual periods beginning on or after 1 July 2010)

Impact of the relevant new and revised IFRSs in issue but not yet effective

The amendments to IFRS 7 titled Disclosures Transfers of Financial Assets

These increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the group's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

1 **Accounting Policies (Continued)**
Adoption of new and revised International Financial Reporting Standards (IFRSs) Continued)

Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2010 and future annual periods (Continued)

IAS 24 Related Party Disclosures (as revised in 2009)

This modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the group because the group is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled Classification of Rights Issues

These address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the group has not entered into any arrangements that would fall within the scope of the amendments. However, if the group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This provides provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the group has not entered into transactions of this nature. However, if the group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Basis of preparation

The financial statements have been prepared under the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted remain unchanged from the previous year and are set out below:

Basis of consolidation:

(i) Subsidiaries

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

All inter-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.

1 Accounting Policies (Continued)
Basis of consolidation (Continued)

(i) Subsidiaries (Continued)

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.

Subsidiaries are carried on the company's separate statement of financial position at cost less impairment losses.

When the Group losses control 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.

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 (see below). 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

1 **Accounting Policies (Continued)**
Business combinations (Continued)

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(2009) 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 fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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 re 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 shareholder's right to receive payment 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 direct recoverable cost chargeable to specific clients. Attributable profits are only recognised once a job is complete and billed out to client.

1 Accounting Policies (Continued)

Equipment

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

Depreciation

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

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

Taxation

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

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

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

Leases

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

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

Foreign currencies

Assets and liabilities at the reporting date which are expressed in foreign currencies are translated at the rates ruling at year end. Transactions during the year which are denominated in foreign currency are translated at the rates of exchange ruling at the transaction dates. Gains and losses on exchange are dealt with 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 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 anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in number of delayed payments in the portfolio past average credit period as well as observable changes in national or economic conditions that correlate with default on receivables.

Trade payables

Trade payables are stated at their contractual value.

1 Accounting Policies (Continued)
Financial instruments (Continued)

Cash and cash equivalents

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

Bank borrowings

Bank borrowings are carried at amortised cost.

Kenya Government Securities - Infrastructure bonds

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

Unquoted investments

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

Goodwill

Goodwill arising on an 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.

1 **Accounting Policies (Continued)**

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 entitlements

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

Comparatives

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

2 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Critical judgements in applying accounting policies

Equipment

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

Impairment losses

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

2 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical judgements in applying accounting policies (Continued)

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 which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and suitable discount rate in order to calculate present value.

3 Revenue

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

	Revenue		Contribution	
	Year ended December 31 2010	Year ended December 31 2009	Year ended December 31 2010	Year ended December 31 2009
Revenue stream				
Advertising and media investment management	1,986,955	1,424,076	1,497,708	908,549
Other marketing and communication sectors	358,599	199,953	295,295	76,394
Total	**2,345,554**	**1,624,029**	**1,793,003**	**984,943**
Other income			899	1,492
Investment revenue			172,170	92,221
Indirect administration and operating costs			(1,133,725)	(533,642)
finance cost			6,049	(914)
Profit before tax			**838,396**	**544,100**

3 Revenue (Continued)

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

	2010 Sh'000	2009 Sh'000
Kenya	9,801,815	4,678,540
Uganda	649,235	648,493
Tanzania	600,446	558,586
Outside East Africa	312,343	34,393
	11,363,839	5,920,012

4 Investment Income

	2010 Sh'000	2009 Sh'000
Interest on available for sale - Kenya Government securities	59,032	40,664
Interest on Bank deposits	29,493	51,557
Gain on sale of Infrastructure bonds	83,645	-
	172,170	92,221

5 Finance Income /net exchange loss

	2010 Sh'000	2009 Sh'000
Interest income	1,930	3,761
Exchange gain /(loss)	4,119	(4,675)
	6,049	(914)

6 Profit Before Taxation

The profit before taxation is arrived at after charging:

	2010 Sh'000	2009 Sh'000
Staff costs (note 7)	1,120,221	867,924
Auditors' remuneration	12,238	7,539
Operating lease rentals	82,380	53,742
Depreciation	56,897	27,685
Bad debts provision	5,116	-
(Gain)/ loss on disposal of equipment	(236)	1,492
Directors' remuneration		
- non-executive directors' fee	1,720	1,440
- non- executive directors' emoluments	660	440
- executive directors' emoluments	76,962	66,215

7 Staff Costs

	2010 Sh'000	2009 Sh'000
Salaries and wages	954,943	763,456
Employee Share Ownership plan (Note 21b)	40,625	-
Social security costs (NSSF)	26,441	17,704
Contribution to provident fund scheme	18,297	14,658
Staff leave pay provision	22,270	10,548
Others	57,645	61,558
	1,120,221	867,924

	2010 Sh'000	2009 Sh'000

8 Taxation

(a) Tax expense

	2010 Sh'000	2009 Sh'000
Current taxation based on the adjusted profit		
For company at 20% (2009:20%)	46,911	32,157
For subsidiaries at 30% (2009:30%)	183,874	118,216
For Ogilvy Africa BV (South Africa Branch) at 28%	22,890	-
Prior year under provision	268	76
	253,943	150,449
Deferred taxation credit (note 15)		
- current year	(53,413)	(7,071)
- prior year over provision	(2,719)	(426)
	(56,132)	(7,497)
	197,811	142,952

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

	2010 Sh'000	2009 Sh'000
Accounting profit before taxation	838,396	544,100
Tax at the applicable rate of 30% (2009:30%)	251,519	163,230
Tax effect of expenses not deductible for tax purposes	6,047	5,955
Tax effect of holding company being charged at 20% (2009:20%)	(33,562)	(17,750)
Tax effect of Ogilvy Africa BV (South Africa Branch) at 28%	(968)	-
Tax effect of income not subject to tax	(22,774)	(8,133)
Prior year over provision-deferred tax	(2,719)	(426)
Prior year under provision-current tax	268	76
	197,811	142,952

(c) Tax movement

	Group		Company	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
At beginning of year	13,307	46,065	(2,692)	2,189
On acquisition of subsidiaries	12,750	-	-	-
Taxation paid	187,712	118,512	37,877	27,352
Charge for the year	(253,943)	(150,449)	(46,911)	(32,233)
Translation difference	1,053	(821)	-	-
	(39,121)	13,307	(11,726)	(2,692)
Analysis of taxation				
Taxation recoverable	30,646	32,212	-	-
Taxation payable	(69,767)	(18,905)	(11,726)	(2,692)
	(39,121)	13,307	(11,726)	(2,692)

9 Profit for the Year

The profit after taxation of Sh 308,256,259 (2009 - Sh 211,569,815) has been dealt within the separate financial statements of Scangroup Limited.

10 Earnings per Share

(i) Basic earnings per share:

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

	2010	**2009**
Profit attributable to equity holders of the parent (Sh'000)		
Weighted average number of shares (in thousands)		
Basic earnings per share (Sh)	578,587	398,500
	223,922	220,690
	2.58	1.81

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.

	2010	**2009**
Profit used in calculation of basic and diluted earnings per share(Sh'000)	578,587	398,500
Weighted average number of shares used in calculation of basic earning per share (in thousands)	223,922	220,690
Shares deemed to be issued for no consideration in respect of employee share options (in thousands)	2,754	-
Weighted average number of shares used in calculation of	.	
diluted earnings per share (in thousands)	226,676	220,690
Diluted earnings per share (Sh)*	2.55	1.81

11 Dividends

The directors propose a first and final dividend of Sh. 0.70 per share totalling to Sh. 166,127,025 (2009: Sh. 110,344,828 being Sh. 0.50 per share).

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. Dividend payment will be subject to withholding tax, where applicable. The bonus issue referred in the directors report shall not be entitled to this dividend.

12 (a) Equipment-Group

	Computers and accessories Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Total Sh'000
COST				
At 1 January 2009	79,109	39,783	71,742	190,634
Additions	15,687	4,499	14,852	35,038
Disposals	(1,588)	(4,091)	(2,182)	(7,861)
Exchange rate adjustment	(1,452)	(667)	(1,403)	(3,522)
At 31 December 2009	91,756	39,524	83,009	214,289
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
DEPRECIATION				
At 1 January 2009	44,697	21,955	27,397	94,049
Charge for the year	14,788	5,585	7,312	27,685
Eliminated on disposal	(875)	(3,665)	(936)	(5,476)
Exchange rate adjustment	(1,070)	(248)	(422)	(1,740)
At 31 December 2009	57,540	23,627	33,351	114,518
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
NET BOOK VALUE				
At 31 December 2010	87,773	38,608	95,110	221,491
At 31 December 2009	34,216	15,897	49,658	99,771

Motor vehicles also include vehicles with a net book value of Sh 6,271,454 (2009: Sh 4,628,440) that are subject to hire purchase financing - Note 23.

12 (b) Equipment-Company

	Computers and accessories Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Total Sh'000
COST				
At 1 January 2009	20,807	9,124	5,030	34,961
Additions	7,998	-	2,418	10,416
Disposals	(443)	-	-	(443)
At 31 December 2009	28,362	9,124	7,448	44,934
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
DEPRECIATION				
At 1 January 2009	7,049	4,181	2,398	13,628
Charge for the year	6,434	1,236	631	8,301
Eliminated on write off	(133)	-	-	(133)
At 31 December 2009	13,350	5,417	3,029	21,796
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
NET BOOK VALUE				
At 31 December 2010	**48,110**	**18,496**	**6,184**	**72,790**
At 31 December 2009	**15,012**	**3,707**	**4,419**	**23,138**

13 Kenya Government Securities-

	Group & Company	
	2010 Sh'000	2009 Sh'000
Infrastructure Bonds – Available for Sale (IFB1/2009/12) coupon rate 12.5%		
At 1 January	528,997	494,565
Disposals	(285,320)	-
Fair value gain	22,141	34,432
At 31 December	**265,818**	**528,997**

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

14 (a) Investment in subsidiaries at cost

Subsidiary	Shareholding %	2010 Sh'000	2009 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 Holding Limited	100%	144	144
Squad Digital East Africa Limited	51%	408	408
Hill & Knowlton East Africa Limited*	51%	5	5
Ogilvy Africa Limited**	51%	61,200	-
Ogilvy Tanzania Limited**	51%	25,500	-
Ogilvy Africa B.V.**	51%	185,167	-
Ogilvy East Africa Limited***	50%	238,353	-
Media Buying Africa Limited	100%	111,177	-
		811,076	189,679

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

** The company has granted call options to the other shareholder over 2% of the issued share capital in Ogilvy Africa Limited. These call options may be exercised by the other shareholder on and after 1 January 2015 at fair value calculated on multiple of earnings .

*** The company has granted call options to the other shareholder over 1% of the of the issued share capital in Ogilvy East Africa Limited. These call options may be exercised by the other shareholder on and after 1 January 2015 at fair value calculated on multiple of earnings.

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

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

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 Limitada	100%
Scangroup West Africa Limited	100%
Redsky Ghana Limited	100%
MIA Mauritius Limited	100%
Media Buying Africa Limited	100%

The principle activities and countries of domicile for these subsidiaries are indicated on pages 11 to 13 of these financial statements

14 (b) Investment in Joint Venture

(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:

	2010 Sh'000	2009 Sh'000
Investment in joint venture at cost	6,125	6,125
Loan advanced	8,575	8,575
Investment in joint venture at cost (Millward Brown Mauritius)	4	-
Loan advanced	32,545	-
Total	47,249	14,700

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

a) Millward Brown East Africa Limited

	2010 Sh'000	2009 Sh'000
Statement of financial position items		
Current assets	103,417	62,244
Non-current assets	8,252	5,650
Current Liabilities	55,345	9,392
Non- current liabilities	8,877	3,585
Profit and Loss items		
Income (included under Revenue)	92,955	79,933
Expenses	57,695	51,315

b) Millward Brown Mauritius Limited

Statement of financial position items	**2010 Sh'000**	**2009 Sh'000**
Current assets	48,357	-
Non-current assets	8,348	-
Current Liabilities	35,566	-
Non- current liabilities	32,545	-
Profit and Loss items		
Income (included under Revenue)	18,356	-
Expenses	27,788	-

15 Deferred Tax

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

	Group		**Company**	
	2010 Sh'000	**2009 Sh'000**	**2010 Sh'000**	**2009 Sh'000**
Accelerated capital allowances	13,421	54	1,863	743
Unrealised exchange losses/ (gains)	(4,560)	1,232	(30)	1,661
Tax losses carried forward	5,220	1,886	-	-
Provisions	70,784	4,215	20,675	563
	84,865	7,387	22,508	2,967
The movement on the deferred tax account is as follows:				
At beginning of period – (liability)/asset	7,387	(119)	2,967	1,026
On acquisition of subsidiary	21,512	-	-	-
Credit for the year - (note 8)	56,132	7,497	19,541	1,941
Effect of exchange rates	(166)	9	-	-
At end of period – asset	84,865	7,387	22,508	2,967
Analysis of deferred taxation asset				
Deferred taxation asset	88,559	7,387	22,508	2,967
Deferred taxation liability	(3,694)	-	-	-
	84,865	7,387	22,508	2,967

	2010 Sh'000	2009 Sh'000

16 Goodwill

	2010 Sh'000	2009 Sh'000
Redsky Limited	83,548	83,548
Ogilvy entities	232,123	-
	315,671	**83,548**

The additional Goodwill has arisen as a result of acquisition of Ogilvy entities; Ogilvy Africa BV (OABV) and Ogilvy East Africa Limited (OEA).

The directors are of the opinion that goodwill is not impaired. This is after taking into account the financial performance of Redsky Limited and the Ogilvy entities.

Additional goodwill

	OABV* Sh'000	OEA** Sh'000	Total Sh'000
Fair value of assets and liabilities acquired			
Assets acquired	188,850	583,176	772,026
Liabilities acquired	(156,612)	(427,487)	(584,099)
Net assets acquired	32,238	155,689	187,927
Consideration			
Consideration in form of cash	19,275	34,334	53,609
Consideration in form of ordinary shares	165,892	200,549	366,441
	185,167	234,883	420,050
Goodwill	152,929	79,194	232,123

*OABV : O&M Africa BV
**OEA : Ogilvy East Africa

17 Trade and other Receivables

	Group 2010 Sh'000	Group 2009 Sh'000	Company 2010 Sh'000	Company 2009 Sh'000
Trade	4,184,599	2,147,621	788,627	665,567
VAT Recoverable	487,252	232,710	196,624	71,897
Staff receivables	22,582	21,184	4,232	3,121
Other receivables and prepayments	128,255	59,030	31,762	59,810
	4,822,688	2,460,545	1,021,245	800,395

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	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
(a) Balances due from related companies				
Due from Subsidiaries	-	-	103,106	230,654
Due from affiliates of Joint Venture	3,082	11,994	-	-
	3,082	11,994	103,106	230,654
(b) Loan due from subsidiary company				
Loan to subsidiary company	-	-	10,195	10,195
(c) Loan from other shareholders of:				
Hill & Knowlton East Africa Limited	9,795	9,795	-	-
Ogilvy Africa Limited	177,137	-	-	-
Other related parties	5	-	-	-
	186,937	9,795	-	-
(d) Other balances due to related parties				
Due to Subsidiaries	-	-	114,978	29,368
Due to affiliates of Joint Venture	642	18,400	-	-
	642	18,400	114,978	29,368
(e) Transactions with related parties				
The following transactions were carried out with related companies:				
Sale of services-Joint Venture			10,372	10,274
Purchase of services			-	-

	2010	2009
	Sh'000	Sh'000
Remuneration of directors and key management compensation		
The remuneration of directors and other members of key management during the period were as follows:		
Salaries and other benefits	374,215	297,683
Director's remuneration (included in key management compensation above)		
Directors' remuneration		
- executive directors' emoluments	76,962	66,215

19 Work in Progress

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

20 Short Term Deposits

	Group		Company	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
Fixed deposits with banks	881,905	286,266	681,905	286,266
Call deposits with banks	630,642	211,112	630,642	211,112
	1,512,547	497,378	1,312,547	497,378

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

The effective interest on the fixed deposits at 31 December 2010 was 7 % (2009: 9%) while the effective interest rate on the call deposits was 2% (2009:3%).

21 (a) Share Capital

	2010	2009
	Sh'000	Sh'000
Authorised share capital:		
Ordinary shares 254,690,000 (2009: 240,690,000) of Sh 1 each	254,690	240,690

The authorised share capital increased by 14,000,000 shares in 2010.

	2010	2009
Issued and fully paid share capital:		
Ordinary shares 234, 570,024 (2009: 220,689,655) of Sh 1 each	234,570	220,690

	2010		2009	
	Number of Shares	Sh'000	Number of Shares	Sh'000
At beginning of year	220,690	220,690	220,690	220,690
New share issue	13,880	13,880	-	-
At end of year	234,570	234,570	220,690	220,690

The transaction pertaining to the acquisition of Ogilvy entities was completed on 8th October 2010, and accordingly, the company issued a total of 13,880,369 new ordinary shares with a par value of Sh. 1 each in Scangroup, all credited as fully paid, in accordance with the provisions of the Share Purchase Agreements of 30th April 2010.

21 (b) Employee Share Ownership Plan

The shareholders have given approval for the company to allot and issue ordinary shares to the Trustees of Employee Share Ownership Scheme (ESOP), from time to time, not exceeding fifteen million ordinary shares in the company. Under the ESOP rules, the exercise price for the options is equal to the market price at the date of grant. Each employee share option converts into one ordinary share of the Company on exercise.

The following working reconciles the share options outstanding at the beginning and end of the year:

	2010 Number of Options
At 1 January 2010	8,146,470
Forfeited during the year	(536,821)
Expired during the year	(4,855,400)
At 31 December 2010	2,754,249

Employee benefits cost

Grant date	**Number of share options**	**Vesting date**	**Exercise price Sh**	**Fair value on vesting date Sh**	**Charge to profit and loss Account Sh'000**
Granted on 08/08/08	2,754,249	23/08/10	30.25	45	40,625

Equity-settled employee benefits reserve

	2010 Sh'000	**2009 Sh'000**
Balance at beginning of year	-	-
Arising on share-based payments (charge to profit or loss)	40,625	-
	40,625	-

The above equity settled employee benefits reserve relates to share options granted by the company to its employees under its employee share option plan.

Upon receiving the necessary regulatory approval 2,754,249 new shares were allotted to the Trustees of the ESOP to be held by them and issued to the beneficiaries under the ESOP in accordance with the terms of the ESOP Trust Deed. The shares were issued on 20th January, 2011.

Of the total 15 million shares reserved for ESOP, after taking into account the 2,754,249 new shares issued as indicated above, the remaining shares amounting to 12,245,751 are available for issue in accordance with the terms of the ESOP Trust Deed.

22 Non Controlling Interests - Group

	2010 Sh'000	**2009 Sh'000**
At 1 January	12,382	18,382
Share of net assets on acquisition of Ogilvy entities	246,452	-
Share of profit for the year	61,998	2,648
Dividend paid	-	(7,791)
Translation adjustment	-	(857)
At 31 December	320,832	12,382

23 Finance Leases

	Group		Company	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
Minimum lease payments				
Payable within one year	2,697	2,484	-	843
Payable after one year but within five years	956	2,082	-	1,053
	3,653	4,566	-	1,896
Future finance charges	(747)	(736)	-	(178)
	2,906	3,830	-	1,718
Present value of minimum lease payments				
Payable within one year	2,394	2,005	-	669
Payable in the second to fifth year	512	1,825	-	1,049
	2,906	3,830	-	1,718

The average finance lease period is 4 years. The weighted effective interest rate at 31 December 2010 was 14% (2009: 14%).

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

	Group		Company	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
At the beginning of the year	3,830	5,706	1,718	2,224
Repaid during the year	(924)	(1,876)	(1,718)	(506)
	2,906	3,830	-	1,718

24 Bank Overdraft

	Group		Company	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
CFC Stanbic Bank Limited	-	-	-	-
BNP Paribas (Netherlands)	21,152	-	-	-

24 Bank Overdraft (Continued)

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 Group has not given any specific security towards this. The effective interest rate during the year was 0.50% (2009:0.50%).

25 Trade and other Payables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	Sh'000	**Sh'000**	**Sh'000**	**Sh'000**
Trade payables	3,635,285	1,418,731	995,119	605,501
Other payables	472,569	62,335	78,871	11,300
Leave pay provision	22,270	10,548	3,384	2,814
VAT payable	10,408	16,764	-	-
	4,140,532	1,508,378	1,077,374	619,615

26 Dividends Payable

	2010	**2009**
	Sh'000	**Sh'000**
At 1 January	7,618	4,497
Dividends declared		
- Parent company shareholders	110,345	135,779
- Non-controlling shareholders in subsidiary	-	7,791
Dividends paid	(111,967)	(140,449)
At 31 December	5,996	7,618

27 Notes to the Cash Flow Statement

	2010 Sh'000	2009 Sh'000
(a) Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	838,396	544,100
Depreciation (note 12(a))	56,897	27,685
(Gain)/Loss on disposal of equipment	(236)	1,492
Interest income	(163,637)	(92,221)
ESOP Expense	40,625	-
Adjusted profit before working capital changes	772,045	481,056
Increase in trade and other receivables	(2,362,143)	(72,663)
(Increase)/decrease in work-in-progress	(29,746)	20,444
(Decrease)/increase in trade and other payables	2,632,157	(7,952)
Movements in related party balances	(8,846)	3,641
Increase in working capital on acquisition	197,097	-
Cash generated from operations	1,200,564	424,526
(b) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position		
Cash in hand	3,444	3,644
Bank balances	683,413	175,746
Short-term deposits (Note 20)	1,512,947	497,378
Bank overdraft (Note 24)	(21,152)	-
	2,178,652	676,768

28 Capital Commitments

	2010	2009
Authorised but not contracted	1,350	-
Authorised and contracted	-	-
	1,350	-

29 Operating Lease Commitments

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

	2010 Sh'000	2009 Sh'000
Within 1 year	83,938	53,873
Within 2 to 3 years	168,486	113,980
	252,424	167,853

30 Contingent Liabilities

	2010	2009
	Sh'000	Sh'000
Pending claims	45,167	23,691
Guarantees	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.

31 Risk Management Policies

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

(a) Capital risk management

The Group manages its capital with an aim to:

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

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

The Group has 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

The gearing ratio at the year end was as follows:

	2010	2009
	Sh'000	Sh'000
Share capital	234,570	220,690
Share premium	1,680,666	1,328,105
Revenue reserves	1,248,761	780,519
Revaluation reserve	56,573	34,432
Translation reserve	(4,222)	(9,906)
Employee share option plan	40,625	-
	3,256,973	2,353,840
Non-controlling interests	320,832	12,382
Total equity	3,577,805	2,366,222
Borrowings	24,058	3,830
Less Cash and cash equivalents	(2,199,804)	(676,768)
Net cash and cash equivalents	(2,175,746)	(672,938)
Gearing	n/a	n/a

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 and has in place policies to ensure that credit is extended to customers with an established credit history.

(i) Credit risk

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

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

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

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

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

The amount that best represents the Group's maximum exposure to credit as at 31 December 2010 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Total Sh'000
31 December 2010			
Bank balances	687,257	-	687,257
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
	6,094,017	**556,204**	**6,650,221**
31 December 2009			
Bank balance	175,746	-	175,746
Trade receivables	1,742,826	404,795	2,147,621
Short term deposits	497,378	-	497,378
Infrastructure bond	528,997	-	528,997
Total	**2,944,947**	**404,795**	**3,349,742**

31 Risk Management Policies (Continued)

(c) Financial risk management objectives (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. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Sh'000	Between 1-3 months Sh'000	Over 3 months Sh'000	Total Sh'000
As at 31 December 2010				
Borrowings - bank overdraft	21,152	-	-	21,152
Finance lease	242	726	1,938	2,906
Trade payables	2,651,380	911,900	75,005	3,638,285
	2,672,774	912,626	76,943	3,662,343
As at 31 December 2009				
Borrowings - bank overdraft	-	-	-	-
Finance lease	198	397	3,971	4,566
Trade payables	739,193	679,538	-	1,418,731
	739,391	679,935	3,971	1,423,297

31 Risk Management Policies (Continued)

(c) Financial risk management objectives (Continued)

(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)	
	2010	**2009**
	Sh'000	**Sh'000**
Bank Overdraft		
1% point increase in interest rates	-	-
1% point decrease in interest rates	-	-
Fixed Deposits		
1% point increase in interest Rates	4,915	5,156
1% point decrease in interest Rates	(4,915)	(5,156)

Foreign currency risk

The Group's operations are predominantly in Kenya where the currency has been fluctuating against the major convertible currencies. A portion of the Group's purchases and sales are denominated in foreign currencies principally in the, US dollars. The Group does not hedge its foreign currency risk. This risk is insignificant.

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

At 31 December 2010, if the average exchange rate for the year was 5% higher or lower, the loss before taxation would have decreased/ increased by approximately Sh 29,745,000 (2009: Sh 15,598,000).

(iv) Fair value of financial assets and liabilities

Financial instruments measured at fair value

a) Determination of fair value and fair values hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations where possible.

31 Risk Management Policies (Continued)

(c) Financial risk management objectives (Continued)

(iii) Fair value of financial assets and liabilities (Continued)

a) Determination of fair value and fair values hierarchy (Continued)

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
At 31 December 2009				
Financial Assets				
Infrastructure bond	528,997	-	-	528,997

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

32 Incorporation

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

33 Currency

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