

WPP SCANGROUP LIMITED

FINANCIAL RESULTS FOR THE YEAR 2017

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR 2017

All figures in Sh'000	2017	2016
Billings	14,118,620	16,306,447
Revenue	4,122,869	4,835,073
Operating and administrative expenses	(3,710,602)	(4,475,205)
Operating Profit	412,267	359,868
Net interest income	290,412	406,528
Other income	21,130	22,688
Foreign exchange losses	(27,395)	(63,159)
Profit before tax	696,414	725,925
Tax charge	(218,471)	(265,545)
Profit for the year	477,943	460,380
Other Comprehensive Income / (loss):		
Exchange difference on translating foreign operations	34,088	(49,653)
Total comprehensive income	512,031	410,727
Basic and diluted earnings per share (Sh)	1.20	1.12

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

All figures in Sh'000	2017	2016
ASSETS		
Non-current assets		
Equipment	340,186	398,730
Investments in associates and other equity investments	4,541	4,067
Long term loan receivable	498,684	-
Deferred tax asset	379,251	359,205
Goodwill	1,612,235	1,612,235
	2,834,897	2,374,237
Current assets		
Trade and other receivables	6,501,076	6,326,467
Receivable from related parties	181,547	135,314
Work-in-progress	93,055	82,367
Tax recoverable	688,137	586,471
Cash and bank balances	3,460,200	3,981,542
	10,924,015	11,112,161
TOTAL ASSETS	13,758,912	13,486,398
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	378,865	378,865
Share premium	8,281,817	8,281,817
Revenue reserve	508,141	320,150
Translation deficit	(320,031)	(353,434)
Equity attributable to share holders of the holding company	8,848,792	8,627,398
Non-controlling interests (NCI)	116,377	181,241
Total equity	8,965,169	8,808,639
Non-current liabilities		
Deferred tax liability	5,880	4,662
	5,880	4,662
Current liabilities		
Trade and other payable	4,359,821	4,270,656
Tax payable	153,692	212,481
Payable to related parties	262,721	178,080
Dividends payable	11,629	11,880
	4,787,863	4,673,097
TOTAL EQUITY AND LIABILITIES	13,758,912	13,486,398

DIRECTORS NOTE

The Group faced a challenging economic environment during 2017 in Kenya, its largest market, led by the credit crunch and prolonged electioneering period. As a consequence, the Group's revenue declined by 14.7%, Kenya accounted for 73% (2016: 60%) of the total. Revenues outside Kenya also declined due to budget cutbacks from key clients as a result of their poor performances. In terms of disciplines, Digital and PR was where we saw the greatest growth. We continue to manage costs in line with the revenue position and as a result of the revenue reduction we reduced operating expenses by 17% leading to an improvement in operating profit from Sh360m to Sh412m. Interest income declined due to the capping of interest rates and lower interest regime in Kenya. 2017 was impacted by a forex loss of 27M mainly due to the devaluation of the Nigerian currency the Naira. Overall PBT declined by 4%, however, PAT was up by 3.8%, due to reduction in tax led by lower interest income and closure of the Gabon operations. Minority interest was lower due to additional acquisition of minority stake and EPS was up by 7.1% at Sh1.20. Based on 2018 YTD performance the Board of Directors is confident that there will be an improvement in operating profit for the full year 2018 following initiatives taken during Q4 2017 and Q1 2018.

The Board of Directors recommends a First and Final Dividend of Ksh.0.75 per share (2016:Ksh.0.50) subject to shareholder approval at the Annual General Meeting

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

All figures in Sh'000	Share capital	Share premium	Revenue reserve / (deficit)	Trans- lation deficit	NCI	Total
At 1 January 2016	378,865	8,281,817	86,598	(302,865)	159,845	8,604,260
Profit for the year	-	-	422,985	-	37,395	460,380
Other comprehensive loss	-	-	-	(50,569)	916	(49,653)
Dividend declared	-	-	(189,433)	-	(16,915)	(206,348)
At 31 December 2016	378,865	8,281,817	320,150	(353,434)	181,241	8,808,639
At 1 January 2017	378,865	8,281,817	320,150	(353,434)	181,241	8,808,639
Profit for the year	-	-	454,696	-	23,247	477,943
Acquisition of non-controlling interests	-	-	(119,554)	-	-	(119,554)
Non-controlling interest acquired	-	-	42,282	-	(42,282)	-
Other comprehensive income	-	-	-	33,403	685	34,088
Dividend declared	-	-	(189,433)	-	(46,514)	(235,947)
At 31 December 2017	378,865	8,281,817	508,141	(320,031)	116,377	8,965,169

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR 2017

All figures in Sh'000	2017	2016
Cash generated from operating activities before working capital changes	571,867	496,071
Working capital changes	(94,659)	(130,403)
Tax paid on operating income	(352,382)	(362,714)
Cash generated from operating activities	124,826	2,954
Cash (used in) / generated from investing activities	(434,584)	292,051
Cash used in financing activities	(243,093)	(397,157)
Cash and cash equivalent at the beginning of the year	3,909,484	4,062,212
Net decrease in cash and cash equivalent	(552,851)	(102,152)
Effect of fluctuation in exchange rate	40,106	(50,576)
Cash and cash equivalent at the end of the year (Note 1)	3,396,739	3,909,484

Note 1: Excludes accrued interest on deposits (2017:Sh63,461; 2016:Sh72,058) which is included in cash and bank balances.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To The Shareholders of WPP Scangroup Limited

Opinion

The summary financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2017, and the summary consolidated statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of WPP Scangroup Limited for the year ended 31 December 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of WPP Scangroup Limited in accordance with the Capital Markets Authority (CMA) Guidelines.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Kenyan Companies Act. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 April 2018. That report also includes the communication of key audit matters. Key audit matters are those that in our professional judgement, were of most significance in our audit of the financial statements for the current period.

Responsibilities of Directors for the Summary Financial Statements

The Directors are responsible for the preparation of the summary financial statements in accordance with the Capital Markets Authority (CMA) Guidelines.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 – Revised, "Engagements to Report on Summary Financial Statements."

The engagement partner responsible for the audit resulting in this independent auditors' report on the summary financial statements is CPA Anne Muraya – P/No 1697.

Deloitte & Touche
Certified Public Accountants (Kenya)
Nairobi, Kenya
25 April 2018