

UNAUDITED GROUP RESULTS

FOR SIX MONTHS ENDED 30TH JUNE 2017



WPP SCANGROUP

Figures in KES'000	H1 2017	H1 2016
Revenue	1,998,379	2,570,570
Operating and administrative expenses	(1,898,301)	(2,397,632)
Other income	9,693	17,780
Net interest income	140,198	237,860
Foreign exchange loss	(5,489)	(33,508)
Profit before tax	244,480	395,070
Tax charge	(87,117)	(145,372)
Profit for the period	157,363	249,698
Other comprehensive income	50,223	7,130
Total comprehensive income for the period	207,586	256,828
Profit attributable to:		
Equity holders of the parent company	145,869	249,361
Non-controlling interests	11,494	337
	157,363	249,698
Total comprehensive income attributable to:		
Equity holders of the parent company	192,779	256,443
Non-controlling interests	14,807	385
	207,586	256,828
Basic and diluted earnings per share (KES)	0.39	0.66

Management Observations

The Board of Directors hereby announce the unaudited results of the Group for the six months ended June 30, 2017. Revenue decreased by 22% over the corresponding prior year period to KES2.0bn. The reduction was in line with budget and was driven by one Pan-African client significantly reducing their level of marketing spend across the region plus reduced scope of work with several other clients and with our core client in Gabon.

Given management had been expecting the reduction in revenues, action was taken during 2016 and in early 2017 to align the cost base. As a result we have achieved a 21% reduction in operating expenses and the benefits of action already taken means we will have further savings in the second half of 2017.

Interest income in the first half of 2016 benefitted from the very high rates of interest available in Kenya at the end of 2015/Q1 2016. Interest rates are now at approximately half the level seen during the first half of 2016 and therefore interest income has declined by KES98m (41%).

Overall Profit before tax has decreased by 38%. The effective tax rate is comparable between the two periods, however the mix of profit streams across our units has meant that we have seen an increase in minority interest and therefore EPS has declined by 42% to KES0.39.

Outlook for the rest of the year

Whilst the Group has seen significant revenue pressure in the first half of 2017, this was compounded further by the strong comparative period in 2016. However, we expect revenues to be stronger in the second half as compared to the first half. The cost reduction actions will continue to benefit the second half performance and as a result we expect to see full year growth in operating profit and profit before tax as compared to 2016.

Accounting Policies

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2016 annual financial statements.

Dividends

The Board of Directors do not recommend an interim dividend.

By Order of the Board

Reuben Mwangi
Company Secretary
7 August 2017

www.wpp-scangroup.com



**Unaudited Consolidated Statement of Profit or Loss and other comprehensive Income
for six month ended 30 June 2017**

All figures in KES'000	H1 2017	H1 2016
Billings	6,770,011	8,075,906
Direct costs	(4,771,632)	(5,505,336)
Revenue	<u>1,998,379</u>	<u>2,570,570</u>
Net interest income	140,198	237,860
Other income	9,693	17,780
Operating and administrative expenses	(1,898,301)	(2,397,632)
Foreign exchange loss	(5,489)	(33,508)
Profit before tax	<u>244,480</u>	<u>395,070</u>
Tax charge	(87,117)	(145,372)
Profit for the year	<u>157,363</u>	<u>249,698</u>
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translating foreign operations	50,223	7,130
Total comprehensive income for the year	<u><u>207,586</u></u>	<u><u>256,828</u></u>
Profit attributable to:		
Equity holders of the parent company	145,869	249,361
Non-controlling interests	11,494	337
	<u><u>157,363</u></u>	<u><u>249,698</u></u>
Total comprehensive income attributable to:		
Equity holders of the parent company	192,779	256,443
Non-controlling interests	14,807	385
	<u><u>207,586</u></u>	<u><u>256,828</u></u>
Basic and diluted earnings per share (KES)	0.39	0.66



Unaudited Consolidated Statement of Financial Position as at 30 June 2017

All figures in Sh'000	30 June 2017	31 December 2016
ASSETS		
<i>Non-current assets</i>		
Equipment	375,485	398,730
Investment in associates and other equity investments	4,333	4,067
Deferred tax asset	343,224	359,205
Goodwill	1,612,235	1,612,235
	<u>2,335,277</u>	<u>2,374,237</u>
<i>Current assets</i>		
Trade and other receivables	6,201,724	6,326,467
Receivable from related parties	147,713	135,314
Work-in-progress	64,450	82,367
Tax recoverable	694,362	586,471
Cash, bank balances and deposits	3,736,182	3,981,542
	<u>10,844,431</u>	<u>11,112,161</u>
Total assets	<u><u>13,179,708</u></u>	<u><u>13,486,398</u></u>
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Share capital	378,865	378,865
Share premium account	8,281,817	8,281,817
Revenue reserve	201,292	320,150
Translation reserve	(306,524)	(353,434)
Equity attributable to share holders of the holding company	8,555,450	8,627,398
Non-controlling interests	132,072	181,241
Total equity	<u>8,687,522</u>	<u>8,808,639</u>
<i>Non-current liabilities</i>		
Deferred tax liability	4,465	4,662
<i>Current liabilities</i>		
Trade and other payables	3,800,732	4,270,656
Tax payable	189,869	212,481
Payable to related parties	328,408	178,080
Dividends payable	168,712	11,880
	<u>4,487,721</u>	<u>4,673,097</u>
Total equity and liabilities	<u><u>13,179,708</u></u>	<u><u>13,486,398</u></u>



Unaudited Consolidated Statement of Changes in Equity for six month ended 30 June 2017

All amounts in KES'000

	Share capital	Share premium	Revenue reserve / (deficit)	Translation deficit	Attributable to share holders of the holding company	Non-controlling interests	Total
At 1 January 2016	378,865	8,281,817	86,598	(302,865)	8,444,415	159,845	8,604,260
Profit for the year	-	-	422,985	-	422,985	37,395	460,380
Other comprehensive income	-	-	-	(50,569)	(50,569)	916	(49,653)
Dividend declared - 2015	-	-	(189,433)	-	(189,433)	(16,915)	(206,348)
At 31 December 2016	378,865	8,281,817	320,150	(353,434)	8,627,398	181,241	8,808,639
At 1 January 2017	378,865	8,281,817	320,150	(353,434)	8,627,398	181,241	8,808,639
Profit for the period	-	-	145,869	-	145,869	11,494	157,363
Acquisition of non-controlling interests	-	-	(119,554)	-	(119,554)	-	(119,554)
Non-controlling interest acquired	-	-	44,260	-	44,260	(44,260)	-
Other comprehensive income	-	-	-	46,910	46,910	3,313	50,223
Dividend declared - 2016	-	-	(189,433)	-	(189,433)	(19,716)	(209,149)
At 30 June 2017	378,865	8,281,817	201,292	(306,524)	8,555,450	132,072	8,687,522



Unaudited Consolidated Statement of Cash Flow for six month ended 30 June 2017

All figures in KES'000	H1 2017	H1 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	244,480	395,070
<u>Adjustments:</u>		
Depreciation	63,962	80,520
Net gain on disposal of equipment	(1,616)	(2,823)
Unrealised foreign exchange loss	17,373	20,735
Interest income	(142,640)	(243,062)
Cash generated from operations before working capital changes	<u>181,559</u>	<u>250,440</u>
<u>Movement in working capital</u>		
Decrease / (increase) in trade and other receivables	124,743	(639,683)
Decrease in work-in-progress	17,917	3,652
Increase / (decrease) in trade and other payables	(469,924)	287,623
Change in related party balances	137,929	70,886
	<u>(189,335)</u>	<u>(277,522)</u>
Cash used in operating activities	(7,776)	(27,082)
Tax paid	(201,835)	(267,258)
Net cash used in operating activities	<u>(209,611)</u>	<u>(294,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(57,324)	(72,245)
Proceeds on sale of equipment	18,943	4,243
Non-controlling interest acquired	(119,554)	-
Interest income received	144,626	117,457
Net cash used in investing activities	<u>(13,309)</u>	<u>49,455</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(32,601)	(66,549)
Net cash used in financing activities	<u>(32,601)</u>	<u>(66,549)</u>
Net decrease in cash and cash equivalents	<u>(255,521)</u>	<u>(311,434)</u>
<u>MOVEMENT IN CASH AND CASH EQUIVALENTS</u>		
Cash and cash equivalents at the beginning of the period	3,981,542	4,161,291
Decrease during the period	(255,521)	(311,434)
Effect of fluctuations in exchange rates	10,161	(11,407)
Cash and cash equivalents at end of the period	<u><u>3,736,182</u></u>	<u><u>3,838,450</u></u>