



WPP SCANGROUP PLC FINANCIAL RESULTS FOR THE YEAR 2018

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

All figures in Ksh'000	2018	2017
Billings	13,821,790	14,118,620
Revenue	4,504,904	4,122,869
Operating and administrative expenses	(3,863,870)	(3,710,602)
Operating profit	641,034	412,267
Net interest income	291,104	290,412
Share of profit in associates	25,131	-
Impairment of investment in associates	(2,461)	-
Impairment of goodwill	(21,322)	-
Other income	31,559	21,130
Foreign exchange losses	(5,157)	(27,395)
Profit before tax	959,888	696,414
Tax charge	(347,679)	(218,471)
Profit for the year	612,209	477,943
Other comprehensive (loss) / income:		
Exchange difference on translating foreign operations	(97,120)	34,088
Total comprehensive income for the year	515,089	512,031
Profit attributable to:		
Equity share holders of the parent company	(a) 554,481	454,696
Non-controlling interests	57,728	23,247
	612,209	477,943
Total comprehensive income attributable to:		
Equity share holders of the parent company	467,418	488,099
Non-controlling interests	47,671	23,932
	515,089	512,031
Basic and diluted earnings per share (Ksh) (a) / (b)	1.37	1.20
Number of shares (in thousands)	432,156	378,865
Weighted average number of shares (in thousands)	(b) 405,511	378,865

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

All figures in Ksh'000	31 December 2018	31 December 2017
ASSETS		
Non-current assets		
Equipment	361,613	340,186
Investments in associates and other equity investment	197,781	4,541
Long term loan receivable	-	498,684
Long term loans to a related party	314,256	-
Deferred tax asset	719,684	379,251
Goodwill	1,590,913	1,612,235
	3,184,247	2,834,897
Current assets		
Trade and other receivables	5,637,216	6,501,076
Receivable from related parties	263,300	181,547
Work-in-progress	73,960	93,055
Tax recoverable	841,726	688,137
Cash and bank balances	4,424,749	3,460,200
	11,240,951	10,924,015
TOTAL ASSETS	14,425,198	13,758,912
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	432,156	378,865
Share premium	9,155,166	8,281,817
(Accumulated deficit) / revenue reserve	(813,799)	508,141
Translation deficit	(407,094)	(320,031)
Equity attributable to share holders of the holding company	8,366,429	8,848,792
Non-controlling interests	122,950	116,377
Total equity	8,489,379	8,965,169
Non-current liabilities		
Deferred tax liability	2,974	5,880
Loan payable to a related party	502,106	-
	505,080	5,880
Current liabilities		
Trade and other payables	4,672,024	4,359,821
Tax payable	204,556	153,692
Payable to related parties	540,104	262,721
Dividends payable	14,055	11,629
	5,430,739	4,787,863
TOTAL EQUITY AND LIABILITIES	14,425,198	13,758,912

COMMENTARY

The Group faced a challenging economic environment during 2018 in Kenya, its largest market, as a result of reductions in expenditure by majority of the Group's key clients. This led to a decline in the Group's revenue in the traditional business activities of advertising, media and public relations. On a positive note, there was growth in the digital and technology offering and in research due to the acquisition of TNS Kantar research business in July 2018.

Overall Revenue grew by 9.3%. Kenya accounted for 62% of the total, down from the 73% in 2017, primarily on account of TNS Kantar acquisition, which has a sizable presence in Nigeria and West Africa resulting in growth of revenues from Nigeria to 11% of the Group's revenues up from 6%. Costs have been controlled and synergies achieved in all our businesses.

Operating profit was up by 55.5% from Ksh412m to Ksh641m. Interest income remained the same despite lower interest rates due to increase in available funds. Overall Profit Before Tax was up 37.8% from Ksh696m to Ksh960m and Profit after Tax was up by 28.1% from Ksh478m to Ksh612m. Share of profit attributable to non-controlling interest increased as a result of 20% minority shareholding in TNS Kantar.

Future outlook

Based on the year to date performance for 2019, it is expected that there will be an improvement in operating profit for the full year 2019.

Proposed Dividend(s)

The Board of Directors recommend a Final Dividend of Ksh 1.00 per share [2017: Ksh 0.75] for the year ended 31 December 2018 and a Special Dividend of Ksh 3.00 per share, subject to shareholder approval at the annual general meeting to be held on 10 May 2019 and payable to shareholders on the Register of Members at the close of business on 10 May 2019. The dividend will be paid from retained earnings of the company which stood at Ksh 1,794m as at 31 December 2018.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

All figures in Ksh'000	Share capital	Share premium	(Accumulated deficit)/ revenue reserve	Translation deficit	Non-controlling interests	Total
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
At 1 January 2018	378,865	8,281,817	508,141	(320,031)	116,377	8,965,169
IFRS 9 day 1 transition adjustment	-	-	(546,077)	-	(5,946)	(552,023)
Deferred tax on IFRS 9 day 1 adjustment	-	-	163,318	-	1,669	164,987
Adjusted balance at 1 January 2018	378,865	8,281,817	125,382	(320,031)	112,100	8,578,133
Shares issued	53,291	873,349	-	-	-	926,640
Profit for the year	-	-	554,481	-	57,728	612,209
Acquisition of subsidiaries under common control	-	-	(1,209,513)	-	-	(1,209,513)
Non-controlling interest acquired	-	-	-	-	(22,317)	(22,317)
Other comprehensive loss	-	-	-	(87,063)	(10,057)	(97,120)
Dividend declared	-	-	(284,149)	-	(14,504)	(298,653)
At 31 December 2018	432,156	9,155,166	(813,799)	(407,094)	122,950	8,489,379

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

All figures in Ksh'000	2018	2017
Cash generated from operating activities before working capital changes	781,069	571,867
Working capital changes	590,081	(94,659)
Tax paid on operating income	(312,873)	(352,382)
Cash generated from operating activities	1,058,277	124,826
Cash generated from (used in) investing activities	317,138	(434,584)
Cash used in financing activities	(313,489)	(243,093)
Cash and cash equivalent at the beginning of the year	3,396,739	3,909,484
Net increase / (decrease) in cash and cash equivalent	1,061,926	(552,851)
Effect of fluctuation in exchange rates	(80,845)	40,106
Cash and cash equivalents at end of the year (Note 1)	4,377,820	3,396,739

Note1: Excludes accrued interest on deposits (2018: Ksh 46,929; 2017: Ksh 63,461) which is included in cash and bank

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

Opinion

The summary consolidated financial statements which comprise the summary consolidated statement of financial position as at 31 December 2018, the summary consolidated statement of profit or loss and other comprehensive income, the summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of WPP Scangroup Plc for the year ended 31 December 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of WPP Scangroup Plc, in accordance with the requirements of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulation, 2002 ("the Regulations") as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of WPP Scangroup Plc and the auditors' report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 10 April 2019. That report also includes the communication of key audit matters as reported in the auditor's report on the audited consolidated financial statements. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' Responsibility for the Summary Consolidated Financial Statements

The Directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulation, 2002 Requirements as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated 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.

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

10 April 2019
CPA Anne Muraya - P/No 1697
Signing partner responsible for the independent audit