WPP | SCANGROUP

ANNUAL REPORT 2019

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NOTICE OF THE ANNUAL GENERAL MEETING 2020

NOTICE is hereby given to Shareholders that, in accordance with an Order issued by the High Court of Kenya in Miscellaneous Application No. E680 of 2020 on 29th April 2020, THE FOURTEENTH ANNUAL General Meeting (AGM) of the Company will be held via electronic communication on WEDNESDAY 30th SEPTEMBER 2020 at 11:00 A.M., WHEN THE BUSINESS SET OUT BELOW WILL BE TRANSACTED.

ORDINARY BUSINESS

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To receive and, If approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2019, together with the Chairman's, the Directors' and Auditor's Reports thereon.
4. To ratify the special interim dividend totaling to KShs. 3,457,247,880.00 (on 432,155,985 shares @ 8 per share) declared by the Directors on 6th July 2020 and paid on or before 28th August 2020 and note that the Directors do not recommend the payment of a dividend for the financial year ended 31st December 2019.
5. Directors:
   i. To note that Ms. Patricia Ithau resigned as a Director of the Company with effect from 26th August 2020

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

6. In accordance with the-provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Group Board Audit & Risk Committee be elected to continue to serve as members of the said Committee:

Mr. Pratul Shah

Mr. Richard Omwela

Mr. Jonathan Neil Eggar

7. To approve the Directors Remuneration
8. To note that the auditors, Deloitte Kenya, will continue in office in accordance with Section 721 (2) and 724 of the Companies Act, No.17 of 2015 and to authorize the Directors to fix their remuneration.

SPECIAL BUSINESS

1. Amendment of the Articles of Association of the Company:

Special Resolution

To consider and if thought fit to pass the following Special Resolution:

To amend the Articles of Association of the Company by adding the following Article immediately after Article 64

64A ATTENDANCE OF A GENERAL MEETING BY ELECTRONIC MEANS

64A.1 In the case of any general meeting, the Board may resolve to and make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually.

NOTICE OF THE ANNUAL GENERAL MEETING 2020 (Continued)

64A.2 The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to:

a) participate in the business for which the meeting has been convened; and

b) see and hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means.

Appointment of Proxy:

A member entitled to attend and vote may appoint a proxy to participate and vote on his/her behalf in the manner prescribed in the proxy form. A proxy need not be a shareholder of the Company.

By Order of the Board

Reuben Mwangi

Company Secretary
8 September 2020

Notes:

1. In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related public health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, for WPP Scangroup Plc to hold a physical general meeting in the manner prescribed in its Articles of Association. Pursuant thereto, the Company, through its Managing Director/Chief Executive Officer made an application to the High Court of Kenya in Miscellaneous Application No. E680 of 2020, under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) for special dispensation to convene and conduct a general meeting using electronic means. The application joined the Capital Markets Authority as an interested party. On 29th April 2020, the High Court of Kenya made an order allowing the convening and conducting of a general meeting by the Company using electronic means and The Capital Markets Authority issued its Letter of no-objection to the Company on 26th August 2020.

2. WPP Scangroup Plc has convened and is conducting this virtual annual general meeting following receipt of a No Objection from the Capital Markets Authority.

3. Any shareholder wishing to participate in the meeting should register for the AGM by dialing *483*020# for all networks and follow the prompts. Non-resident shareholders shall register for the AGM by sending an email to ScangroupAGM@image.co.ke In order to complete the registration process, Shareholders will need to have their ID/Passport Numbers, which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance, Shareholders should dial the following helpline number: +254 709 170 000 from 9 a.m. to 3 p.m. on a working day.

4. Registration for the AGM opens on 8th September 2020 at 9:00 a.m. and will close on 27th September 2020 at 5:00 p.m.

5. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website https://www.wpp-scangroup.com/ (i) ta copy of this Notice; (ii) the Company's audited financial statements for the year 2019; (iii) Capital Markets Authority no-objection and (iv) a copy of the High Court Order in Miscellaneous Application No. E680 2020; (the Documents).

NOTICE OF THE ANNUAL GENERAL MEETING 2020 (Continued)

6. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by one of the following options:

    i. Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialing the USSD *483*020# and selecting the option (ask Question) on the prompts;

    ii. Sending their written questions by email to Questions.AGM@wpp-scangroup.com; or

    iii. To the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at The Chancery, 5th Floor, Valley Road or Image Registrars offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; Nairobi or Sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 34537, GPO 00100, Nairobi.

    Shareholders must provide their full details (full names, Kenyan national identity/passport Number/CDSC Account Number) when submitting their questions and clarifications.

    All questions and clarification must reach the Company on or before 27th September 2020 at 5: 00 p.m.

    Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return email address provided by the Shareholder by 28th September 2020. A full list of all questions received and the answers thereto will be published on the Company's website not later than 29th September 2020.

7. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company, but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website via this link: https://www.wpp-scangroup.com/. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointor or his attorney duly authorised in writing, or, if the appointor is a company, either under seal, or under the hand of an officer or attorney duly authorised by the company. A completed form of proxy should be emailed to sgagm@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 28th September 2020 at 11:00 a.m.. Any proxy registration that is rejected will be communicated to the Shareholder concerned no later than 29th September 2020 to allow time to address any issues.

8. The AGM will be streamed live via a link, which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent at least one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

9. Duly registered Shareholders and proxies may follow the proceedings of the AGM using the livestream platform. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts.

10. A Poll shall be conducted for all the Resolutions put forward in this Notice. Voting shall be closed at 5:00 pm on the date of the meeting and the results shall be published within 48 hours following conclusion of the AGM.

11. The Company strongly encourages all Shareholders to monitor the Company's website (https://www.wpp-scangroup.com/) for further updates or changes in relation to the AGM.

12. To ensure receipt of future dividends in a timely manner, Shareholders are hereby requested to provide their bank details and update their payment option to electronic funds transfer method through their respective stockbrokers to facilitate remittance of dividends through their bank accounts in future. In addition, shareholders are reminded of the right to opt-in for their future dividends to be paid to them via mobile money transfer while registering for the AGM.

BOARD OF DIRECTORS

RICHARD OMWELA, OGW

Chairman and Independent Non-Executive Director

Richard, age 64, 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 Senior Partner at Hamilton Harrison and Matthews 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) Chairman of African Banking Corporation Limited (ABC Bank) Chairman of The Monarch Insurance Company Limited and Chairman of the Kenya Rugby Union.

BHARAT THAKRAR

Chief Executive Officer

Bharat, age 68, is the founder shareholder of WPP Scangroup. He has over 40 years working experience in the Advertising and Communications industry. He holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation – UK. He has undergone various Executive Management Courses including at the Harvard Business School. He is a former Chairman of the Advertising Practitioners Association (APA) in Kenya, and is a member of the Advertising Standards Board. In 2012, Mr. Thakrar was awarded the Forbes Africa Advertising Leader of the Year. In 2015 he was honored by the Marketing Society of Kenya- MSK for his strong contribution in marketing within the industry.

ANDREW SCOTT

Non-Executive Director

Andrew, age 51, is Chief Operating Officer for WPP in Europe and is also WPP's Director of Corporate Development leading the Group's global Mergers & Acquisitions activity. Prior to joining WPP, Andrew was a strategy consultant at LEK Consulting. He holds an MBA with distinction from INSEAD.

LAURENCE MELLMAN

Non-Executive Director

Laurence, age 54, is Chief Operating Officer, International Specialist Communications at WPP. He has worked at WPP since 1996 and has undertaken a number of roles in both the WPP parent company and in the operating companies. Prior to joining WPP, Laurence trained as a Chartered Accountant with Pricewaterhouse Coopers in London and Manchester, qualifying in 1991. Laurence holds a degree in Commerce and Accounting from the University of Birmingham in the UK.

JONATHAN NEIL EGGAR

Non-Executive Director

Jonathan, age 44, joined WPP Scangroup in January 2014. Prior to this, he spent twelve years with WPP in a number of roles, both in the parent company and operating companies. Prior to joining WPP, he trained as a Chartered Accountant with Ernst & Young, qualifying in 2001. He holds a degree from Southampton University in the UK.

BOARD OF DIRECTORS (Continued)

PATRICIA ITHAU

Independent Non-Executive Director

Ms.Patricia Ithau, age 54 is an experienced business executive and seasoned marketing professional. She is currently the Regional Director for the Stanford Graduate Business School Initiative, Stanford Seed supporting SME transformation. She has previously served as Managing Director of L"Oreal East Africa Ltd. Managing Director of EABL Venture and Managing Director of Uganda Breweries Ltd subsidiaries of East African Breweries Ltd, where she joined as Marketing Director – Kenya in 2005, and has also served as Marketing Director of Unilever in East Africa, where she began her career. She also sits on the Boards of Barclays Bank of Kenya Limited, Jambojet Limited, a subsidiary of Kenya Airways Limited, Trade Mark East Africa(TMEA), and KEPSA.

PRATUL SHAH

Independent Non-Executive Director

Mr. Pratul Shah was appointed a Director of the Company on 26 July 2018 to fill a casual vacancy. Pratul, age 65, has over 30 years of professional experience in general practice and specialist advisory areas in audit, tax planning, strategic planning, corporate finance and corporate recovery work with Pricewaterhouse Coopers, where he was a Partner. He currently assists companies in the banking, insurance, retail, manufacturing and services sectors develop their strategic plans and restructuring advice to compete and build shareholder wealth. He is an advisor to various Boards and has been a lead advisor in a number of merger and acquisition transactions. He has served on ICPAK's Technical and Ethics Committee, Banking & Insurance Committees and has been a past member of the Insurance Tribunals Board appointed by the Minister of Finance.

DOMINIC GRAINGER

Non-Executive Director

Mr. Dominic Grainger was appointed a Director of the Company on 26 July 2018 as a nominee of WPP Plc to fill a vacancy resulting from the resignation of Mr. Scott Spirit from the WPP Group. Dominic, age 53, started his career at Price Waterhouse in 1987, working on many acquisitions across Europe. He joined Tempus Group Plc in 1997 and was involved in building and consolidating CIA's European and then global media network. In 2001, WPP Plc acquired Tempus and following the merger of CIA with The Media Edge in 2002, he was appointed Chief Executive Officer of MEC Europe, Middle East and Africa. He became Managing Director of GroupM Europe, Middle East and Africa when it was established in 2006 and was promoted to Chief Executive Officer in October 2008. He also leads the WPP Sports practice.

SATYABRATA DAS

Executive Director - Finance

Satyabrata Das, is the Chief Finance Officer at WPP Scangroup. 43 years old, Satya is a member of the Institute of Certified Public Accountants of Kenya and The Association of Chartered Certified Accountants, UK.

He is a Post Graduate in Business Administration and a Diploma holder in Business Finance and has attended executive courses on negotiations at Harvard Business School.

He started his career as a sponsored candidate to Siemens "IGTC – Dual Education" program in 1997 in Mumbai, India. After working for 8 years in the Commercial function in the manufacturing sector, he moved into Advertising and Media with Publicis Groupe Media as Finance Controller for India in 2005 prior to joining WPP Scangroup in 2009.

REUBEN MWANGI

Company Secretary

Reuben, age 55, is Head of Legal and Company Secretary at WPP Scangroup Limited and its subsidiaries in Kenya. He holds a Bachelor of Laws (LLB) degree from the university of Nairobi, a Diplomain Legal Practise from the KenyaSchool of Law and a member of the Law Society of Kenya. He is also a Certified Public Secretary and a life member of the Institute of Certified Public Secretaries of Kenya and a Certified Corporate Governance Auditor. Prior to joining WPP Scangroup Limited, Reuben worked in various capacities at Kenya Wildlife Service, CFC Bank Limited and Bollore Africa Logistics.

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

We are pleased to present the annual report for WPP Scangroup Plc for the year ended 31 December 2019.

Economy

- Growth in sub-Saharan Africa remained sluggish at 2.4 percent in 2019 which was slower than previously envisaged for about two-thirds of the countries in the region. The downward revision reflects a more challenging external environment, continued output disruptions in oil-exporting countries, and weaker-than-anticipated growth in South Africa. Varying economic headwinds like the softening of global growth, falling commodity prices, increased trade tensions leading to heightened uncertainty, and subdued agricultural production partly due to drought in various countries in the region, coupled with security concerns, which affected production in some countries considerably impacted the growth prospects across countries in the region in 2019.

- In 2019, the East African region continued to face various downside risks that ranged from adverse weather patterns to stress from currency fluctuations and the pressure from oil imports. The real GDP in the East African Community (EAC) bloc grew by 5.9 per cent in 2019 compared to 6.6 per cent growth in 2018. The deceleration in growth was generally recorded in all the countries in the bloc. In 2019, Rwanda recorded the highest real GDP growth rate of 10.1 per cent in 2019 in the bloc, supported by strong growth in the private sector and infrastructure. The current account deficit as a percentage of GDP widened by 9.2 per cent in 2019 compared to 8.0 per cent in 2018. This was partly attributed to increased imports as international prices of agricultural produce declined in the review period. In Uganda, real GDP grew by 4.9 per cent in 2019 compared to a growth of 6.1 per cent in 2018. The infrastructural projects, however, led to increase in importation of capital goods, which resulted to widening of the current account deficit as a percentage of GDP to 9.5 per cent in 2019 from 8.9 per cent The infrastructural projects, however, led to increase in importation of capital goods, which resulted to widening of the current account deficit as a percentage of GDP to 9.5 per cent in 2019 from 8.9 per cent in 2018. Tanzania recorded a decelerated growth of real GDP of 6.3 per cent in 2019 compared to a 7.0 per cent growth in 2018. Nevertheless, the economy was characterized by a robust private consumption, substantial public spending, strong investment growth and an upturn in exports. Financial sector vulnerabilities as a result of increased non-performing loans weighed on the economy's growth.

- Kenya's real GDP grew by an estimated 5.4% in 2019, driven by household consumption and investment on the demand side and services on the supply side (such as public administration, information technology, finance and insurance, and transport and storage). GDP was down from 6.3% in 2018, caused mainly by unfavorable weather and reduced government investment. The pace of economic activity was also hurt by slowdown in agriculture, building and construction as well as manufacturing. At 5.2%, inflation remains within the central bank's 5 ± 2.5% target band. The 2018/19 drought slowed economic growth and reduced food security. Informal Sector and unemployment remain high. Four fifths of workers are in the informal economy, and 9.3% of the workforce are unemployed. Investment has been low in sectors with greater capacity to absorb labor. Given the youth bulge, the supply of labor is large, but skills and entrepreneurial activity are limited. The Government through Central Bank of Kenya (CBK) reviewed the Central Bank Rate (CBR) downwards from 9.00 per cent in July 2018 to 8.50 per cent in November 2019 signaling an easing of monetary policy with the aim of boosting economic growth. Similarly, the capping of bank interest rates was repealed in November through enactment of the Finance Act, 2019.

- Nigeria's real GDP growth was estimated at 2.3% in 2019, marginally higher than 1.9% in 2018. Growth was mainly in transport, an improved oil sector, and information and communications technology. Agriculture was hurt by sporadic flooding and by conflicts between herdsmen and local farmers. Manufacturing continues to suffer from a lack of financing. Final household consumption was the key driver of growth

LETTER TO THE SHAREHOLDERS (Continued)

in 2019, reinforcing its 1.1% contribution to real GDP growth in 2018. The effort to lower inflation to the 6%–9% range faced structural and macroeconomic constraints, including rising food prices and arrears payments, resulting in a rate estimated at 11.3% for 2019. Overall insecurity could deter foreign investors, shrivel the domestic economy, and ultimately dampen prospects for economic growth. High unemployment could create social tensions. Rising public debt and associated funding costs could pose fiscal risks.

Economic Outlook 2020

According to World Bank, the COVID-19 (coronavirus) outbreak has set off the first recession in the Sub-Saharan Africa region in 25 years, with growth forecast between -2.1 and -5.1 in 2020, from a modest 2.4% in 2019 as per World Bank. Volatility in the global environment due to COVID-19 pandemic, is taking a heavy toll on human life and placing excessive pressure on health systems which continues to negatively impact Sub-Saharan Africa. Economic and social impacts are immense, costing the region between $37 and $79 billion in estimated output losses in 2020, reducing agricultural productivity, weakening supply chains, increasing trade tensions, limiting job prospects, and exacerbating political and regulatory uncertainty. With such formidable challenges, economic growth is expected to contract from 2.4% in 2019 to between -2.1 and -5.1% in 2020, sparking the region's first recession in 25 years.

Growth will weaken substantially in the two fastest growing areas-West and East Africa-due to weak external demand, disruptions to supply chains and domestic production. The tourism sector is expected to contract sharply due to severe disruption to travel and tourism activities. Countries that rely on exporting extractives are also likely to be hardest-hit by COVID-19, with growth falling by up to seven percentage points in oil-exporting countries and by more than eight percentage points in metal exporters.

Performance of Kenya's economy in 2020, like most economies all over the world, will largely be determined by how long the economic activities are disrupted by the Coronavirus disease (Covid-19). Weak global economy is also likely to negatively impact on Kenya's exports, more so horticultural products and the tourism sector. The global economy was projected to remain suppressed in 2020 due to slowdown in industrial output, weak business confidence and increased trade tensions, even before the rapid spread of the Coronavirus disease into a worldwide pandemic. The restriction of movement of population due to COVID- 19 will significantly slow performance of activities of transportation and storage, education, accommodation and food services. Other sectors whose activities could be restrained, albeit at a lesser degree, include manufacturing; construction; wholesale and retail trade; public administration and defence; and mining and quarrying. Demand for financial and insurance services, real estate and other services are also expected to be suppressed due to slowdown in economic activities and decline in disposable incomes. However, increasing demand for health services is likely to boost the performance of the human health and social work sector. Overall, factors against accelerated growth are likely to outweigh pro-growth aspects by far in 2020.

Nigeria has battled to emerge from the aftershocks of the 2016–17 recession, precipitated by a severe long-term decline in the oil price from 2014 coupled with serious infrastructure deficits and persistently weak consumer demand. With COVID 19 taking its toll globally, the IMF cut its prognosis for the country's 2020 growth from 2.5% to 2%. The pace of economic recovery remains slow, as declining real incomes and weak investment continue to weigh on economic activity as reported by IMF. Inflation is rising, driven by higher food prices resulting from border closures, while external vulnerabilities are increasing, reflecting a higher current account deficit and declining reserves that remain highly vulnerable to capital flow reversals.

Industry Performance

Clients want our creativity more than ever, and they are seeking services beyond our traditional strengths in communications. Agencies in the industry perceived to be lacking in contemporary skills in areas such as data, technology, experience and commerce have come under significant pressure. New platforms are changing the way people interact with technology. Privacy, data and security breaches and the issue of fake news have damaged trust between organizations and the public. Every industry, from automotive and packaged goods to drinks and financial services, is facing structural change driven by technology. Organizations are looking to agencies to help them navigate this disruption. Coupled with these changes happening in our industry & the economic headwinds has impacted the overall budgets. Cost optimizations within organizations is continuing and marketing budgets are getting impacted.

While at WPP Scangroup we are proud of the technology shift that we have already initiated with the launch of Goby and Optimus. Goby is WPP-Scangroup's E-commerce platform launched early this year to enable small and medium sized businesses to help them build, manage and grow their businesses online. The platform has more than 8,000 signed up merchants so far in its launch in Kenya, with a plan to launch across Africa in the coming months. Optimus is WPP-Scangroup's proprietary Marketing Automation platform that helps our clients acquire new customers as well as grow customer lifetime value. Since it's launch in late 2018, Optimus is being used by large banks, insurance businesses and telcos across Africa.

Industry Performance was quite slow in 2019 given the various reasons explained earlier. The industry continued to see extreme cost cutting in the previous year and we believe that such a level of continuous cost optimization will be unsustainable for growth. There is a need to increase disposable income of consumers, especially in the middle-income group, which will make the continent more important and lucrative for our clients.

The industry performance was also stretched because of the interest rate caps which saw many small and medium sized enterprises struggling to fund their operations. Lack of circulation in terms of money has caused an immense decline in purchasing power which is one of the reasons why most of our clients and us have struggled through 2019 in Kenya. The last quarter saw removal of the interest rate caps and also demonetization of the 1000 denominated notes in Kenya

As marketing communication is necessary to reach consumers, the need for investment in marketing services is likely to increase but it also needs to be supported by other factors which push the economics of the company forward. In a bid to meet client expectations, agencies operating in this region continue to evolve and become more innovative. Association of local or regional players with global agencies who are looking to diversify into emerging and frontier markets reflects the growing demand for global practices. The industry phenomenon in other markets where your company has operations is similar to that of Kenya. As African economies start working as blocs, companies are increasingly starting to seek agencies that can operate across markets and across disciplines. Our long term objective is aligned to this expectation.

Update on introduction of new services and markets

As we look to the future, we have aligned our strategy to that of WPP who has repositioned ***'to be a creative transformation company'*** bringing together brilliant people to build a better future for clients. The key focus being data, technology and creative.

Technology is reshaping our industry like every other industry, there is proliferation of media decline in the traditional old channels and growth in the new online channels like Google & Facebook. This means our clients need content to populate these channels, which needs to be produced cost effectively, and needs to be customized, e-commerce is where the growth is, and our clients want us to be there, it means sales and marketing need to be much closer, and all of this is being driven by data, technology and creativity which we will need to provide. Data driven marketing will be at the heart of all this. Given the investment we have made in this area; we are well positioned to reap the benefits from all markets.

Financial Performance

During the year and as disclosed in the half year results of 2019, WPP Scangroup's majority shareholder, WPP Plc, entering into an agreement to sell 60% of its shareholding in Kantar globally. As a consequence of the global transaction and as announced on 31 October 2019, WPP Scangroup Plc entered into an agreement to sell its Kantar Africa Business (representing 100% shareholding in Millward Brown East Africa Limited, Millward Brown Nigeria Limited and Millward Brown West Africa Limited and 80% shareholding in Research and Marketing Group Investment Limited, which has Kantar TNS businesses in Kenya, Nigeria, Ivory Coast, Senegal, Ghana, Cameroon and the UK). This transaction is subject to regulatory and shareholder approval and is expected to be completed by 30 June 2020. As required by International Financial Reporting Standard No 5 (IFRS 5) Non-current Assets Held for Sale and Discontinued Operations, the results of Kantar Group have been presented as discontinued operations. The assets of Kantar Group have been disclosed as ''Assets classified as held for sale'' and the liabilities disclosed as ''Liabilities directly associated with assets classified as held for sale''.

Continuing operations

In 2019 billings of continuing operations has declined by 19% due to reduction in spends by our clients. Revenue has declined by only 5% as more than 50% of our revenue are from retainer fees which are not directly correlated to the level of client spend on media advertising. In terms of marketing discipline diversification, Advertising and Media services contribution to overall revenue decereseed due to lower spends while digital and public relations increased their share of contribution and moved from 33% in 2018 to 37% in 2019. We expect this trend to continue in 2020 followed by Advertising and Media, however we expect digital to become an integral part of all the mediums and continue to gain its share. We were extremely cautious in expenditures and due to timely cost control measures and maintained service delivery to our clients by being more innovative and efficient and delivering cost-effective solutions our operating profit has grown by 1%. Interest income reduced by 41% due to reduction in deposits as the same was utilized for payment of final and special dividend for 2018. Profit before tax (PBT) declined by 30% and profit after tax (PAT) was down by 36%.

Consolidated results

Overall revenue increased by 13% due to the full year impact of the Kantar TNS operations acquired in July 2018. Operating profit is up by 4%, however Profit before Tax (PBT) has declined by 13% due to reduction in interest income by 44% and greater foreign exchange losses during 2019 compared to 2018. Profit after tax (PAT) was down by 20%. Earnings per share (EPS) was down by 27%.

Proposed Dividend

The Board has considered the events that are taking place related to the unprecedented Covid-19 pandemic and its effects on the Kenyan economy and to the world and its population at large. Our company and the industry it represents will also have to weather the storm and remain steady for the forthcoming economic challenges. Keeping this uncertainty in mind the Board has decided to defer

LETTER TO THE SHAREHOLDERS (Continued)

the dividend declaration for the financial year 2019 (2018: KShs. 1.00 per share totalling KShs. 432,155,985 based on 432,155,985 shares and a special dividend of KShs. 3.00 per share totalling KShs. 1,296,467,955 based on 432,155,985 shares).

Board

The Directors who held office in 2019 and up to the date of this report are listed on page 5.

Corporate Governance

The Board and its committees, the Audit & Risk Management Committee, the Board IT Oversight Committee and the Nominating and Remuneration Committee continue to discharge their oversight mandates on the Group's financial activities, internal controls, technology infrastructure, risk management practices and human resource management. A statement on corporate governance is set out on page 11.

Corporate Social Responsibility

WPP Scangroup aims to make affirmative contribution to the environment and society which we operate in. Through our pro bono work we support organisations working in key areas such as local communities, the environment, health, human rights, the arts and education.

We also focus on the sustainability issues, risks and opportunities of most importance to our business and our stakeholders, including our clients, investors and people.

Our companies help clients to understand sustainability, and the value to their brands.

WPP Scangroup wants to be known for social, environmental and ethical leadership within the marketing services sector.

Further details are given in the Director's report.

Appreciation

We would like to thank our clients in all the countries we operate in for their continued support. We would also like to thank our shareholders for their confidence in the management and the leadership of the Group. Last but not least, our dedicated and committed staff for their pursuit of excellence in service delivery that has helped achieve the results, and my thanks also to the support of my / our colleagues on the Board of Directors.

Richard Omwela	**Bharat Thakrar**
Chairman	CEO

29 April 2020

CORPORATE GOVERNANCE

Corporate Governance Statement

The Board of Directors is responsible for good corporate governance of the Group and attaches great importance to the need to conduct business and operations of the Group with integrity, transparency and accountability. The Board is committed to complying with legislation, regulation and best practice, it has in particular adopted the Capital Markets Authority guidelines on corporate governance practices by public listed companies in Kenya. The Board is also committed to the consideration and implementation of initiatives to improve corporate governance for the benefit of all shareholders.

Board and Directors

During the year 2019, the Board comprised two executive directors – Mr. Thakrar and Mr. Das & Eight Non-executive directors, four of whom, Mr. Omwela, Mr. Wahome (retired on 10th May 2019) Ms. Ithau and Mr. Shah are Independent Directors. The Board currently comprises nine (9) Directors following Mr. Wahome's retirement on 10th May 2019. The independent directors ensure that independent thoughts are brought to bear on Board decisions. Independent directors have no management or business relationships with the Company that could influence their independence. Mr. Scott, Mr. Mellman and Mr. Grainger and Mr. Eggar are appointed by Cavendish Square Holding B.V. in accordance with the Company's Articles of Association.

All the directors except the executive directors and the directors appointed by Cavendish Square Holding B.V. are required to retire at regular intervals and may offer themselves for re-election.

The Directors who held office during the year under review and to the date of this report are listed on page 5.

The Board retains effective control over the Company's operations and has established a number of committees to assist in providing detailed attention to specific areas. The Board and committees are supplied with relevant, accurate and timely information to enable them to discharge their responsibilities. In addition, their mandates ensure unrestricted access to company information and the ability to obtain expert advice, at the Company's expense, whenever necessary. The Committees of the Board are as follows:

Audit & Risk Management Committee

Membership of the Audit & Risk Committee includes, four Non-executive directors: Mr. Shah (Chairman), Mr. Omwela and Mr. Eggar. The Chief Executive Officer, and the Chief Finance Officer are regular invitees to the Committee's meetings. In addition, the external auditor may be invited to attend as necessary, at least once a year. The Committee's responsibilities include; review of financial statements, compliance with accounting standards, oversight on internal control systems and the internal audit function, identification, assessment and effectiveness of business risk management processes and liaison with the external auditor.

Nominating & Remuneration Committee

The Nominating & Remuneration Committee comprises of Mr. Omwela (Chairman), Mr. Scott and the CEO, Mr. 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 the Board vacancies as and when need arises and in particular, gives consideration to succession planning taking into account the challenges and opportunities facing the Company and ensures that 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 programs. Executive Directors and / or management are not present when their remuneration is discussed.

CORPORATE GOVERNANCE (Continued)

Board IT Oversight Committee

Board IT Oversight Committee was constituted to oversee systems development and implementation in the Group. The members of the Committee are, Mr. Omwela and Mr. Thakrar. The Chief Information Officer who heads the management IT Steering Committee is invited to the meetings.

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

Chairman and chief executive officer

The roles of the Chairman and the CEO are separate and distinct.

Directors' emoluments and loans

The aggregate amount of emoluments paid to Directors during 2019 are disclosed on page 59. No loan was given to the Executive Director nor Non-Executive Directors during the year. Directors' interest in the shareholding of the Company is set out on page 17.

Dealing in company's shares

The Company complies with CMA's rules on Insider Trading and has formulated a policy that governs the trading of Company's shares by Directors and staff. Subject to compliance with the CMA rules on Insider Trading, Directors and staff are only permitted to deal in the Company's shares between 3rd and 30th days after the announcement of half yearly results and final results and from 3 days after the release of the annual report until 30 days after the Annual General Meeting. In addition to the restrictions, permission of a subcommittee of the Board is required before trading in the Company's shares.

Internal controls

The Group has defined financial and operational performance measurement indicators and has implemented a series of financial controls to ensure complete and accurate reporting of financial and operational information. It periodically upgrades its management information reporting system to strengthen the controls and to provide information more efficiently. Procedures are in place to ensure adequate physical controls over the Company's assets and that the organisation remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the internal control systems, the Board takes into account the results of all the work carried out by the Internal Auditor or any other audit on the activities of the Group.

Business ethics

Honesty, integrity and respect for all stakeholders are the core values of the Group. These values determine the way in which the Group conducts business and are epitomised in the Code of Conduct. The Code of Conduct also emphasises the Group's zero tolerance to bribery and corrupt practices. All employees are required to undergo ethics and anti-bribery training annually to reaffirm these values.

Investor relations

Information on the Company's shareholding is provided on page 17. The Company values its relationship with the shareholders and the investment community and ensures regular and reliable communication through publication of its financial performance, publication of the Annual Report, holding of the Annual General Meeting and other general meetings prescribed by law. The Company's primary communication channel remains the Nairobi Securities Exchange and media releases consistent with legal and regulatory requirements.

REPORT ON BOARD MEETING ATTENDANCE RECORD FOR 2019

The Board

WPP SCANGROUP PLC

Name	Position	20/2	10/4	7/8	31/10	22/11	%Attendance
Richard Omwela	Chairman	√	√	√	√	√	100
Bharat Thakrar	Director/CEO	√	√	√	√	√	100
Andrew Scott	Director	X	X	X	X	X	0
Lawrence Mellman	Director	√	X	√	√	√	80
Jonathan Eggar	Director	X	√	√	√	√	80
Satyabrata Das	Director/CFO	N/A	√	√	√	√	100
Pratul Shah	Director	√	√	√	√	√	100
Patricia Ithau	Director	√	√	√	√	√	100
Dominic Grainger	Director	√	X	√	√	√	100
Muchiri Wahome	Director	X	√	Rtd	Rtd	Rtd	20

By Order of the Board

Reuben Mwangi
Company Secretary
29 April 2020

OUR CORPORATE INFORMATION

DIRECTORS	Richard Omwela	Chairman
	Bharat Thakrar	Chief Executive Officer
	Jonathan Neil Eggar*	
	Andrew Scott*	
	Laurence Mellman*	
	Patricia Ithau Dominic Grainger* Pratul Hemraj Shah Satyabrata Das**	 Executive Director – Finance
		* British ** Indian
SECRETARY	Reuben Mwangi Certified Public Secretary (Kenya) The Chancery, 5th Floor Valley Road, Upper Hill P. O. Box 34537- 00100 Nairobi	
REGISTERED OFFICE	The Chancery, 5th Floor Valley Road, Upper Hill P. O. Box 34537- 00100 Nairobi Telephone: +254 (20) 2710021, 2799000	
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P. O. Box 40092 – 00100 Nairobi	
PRINCIPAL BANKER	Stanbic Bank Kenya Limited Upper Hill Medical Centre Branch P. O. Box 2492 – 00200 Nairobi	
SHARE REGISTRARS	Comp-rite Kenya Limited Unit 4, Ground Floor, Delta Riverside, Riverside Drive. P. O. Box 48405, 00100 Nairobi	

OUR CORPORATE INFORMATION (Continued)

GROUP COMPANIES, BUSINESS ACTIVITIES AND GEOGRAPHIC PRESENCE

Business Activities	Country
ADVERTISING	
Scanad Ghana Ltd.	Ghana
Ogilvy Ghana Ltd.	Ghana
Scanad Kenya Ltd.	Kenya
J. Walter Thompson Kenya Ltd.	Kenya
Scanad Africa Ltd.	Kenya
Grey East Africa Ltd.	Kenya
Ogilvy & Mather (Eastern Africa) Ltd.	Kenya
Geometry Global Ltd.	Kenya
Ogilvy Africa Ltd.	Kenya
Ogilvy Kenya Ltd.	Kenya
Scanad Nigeria Ltd.	Nigeria
Scanad Rwanda Ltd.	Rwanda
O&M Africa B.V. (Branch Office)	South Africa
Scanad Tanzania Ltd.	Tanzania
J.Walter Thompson Tanzania Ltd.	Tanzania
Ogilvy Tanzania Ltd.	Tanzania
Scanad Uganda Ltd.	Uganda
JWT Uganda Ltd.	Uganda
Ogilvy & Mather Zambia Ltd.	Zambia
MARKET RESEARCH	
Millward Brown West Africa Ltd.	Ghana
Millward Brown East Africa Ltd.	Kenya
Millward Brown Nigeria Ltd.	Nigeria
TNS RMS East Africa Ltd.	Kenya
TNS RMS Nigeria Ltd.	Nigeria
TNS RMS International (GH) Ltd.	Ghana
TNS RMS Cote D'Ivoire Sarl	Ivory Coast
TNS RMS Cameroon Ltd.1	Cameroon
TNS RMS Senegal SA	Senegal
TNS RMS UK Ltd.	UK

Business Activities	Country
MEDIA INVESTMENT MANAGEMENT	
GroupM Africa Ltd.	Kenya
MEC Africa Ltd.	Kenya
Media Compete East Africa Ltd.	Kenya
Mindshare Kenya Ltd.	Kenya
Ogilvy Africa Media Ltd.	Kenya
Scangroup (Malawi) Ltd.	Malawi
Scangroup (Mauritius) Ltd.	Mauritius
Scangroup Mozambique Limitada	Mozambique
Scangroup (Zambia) Ltd.	Zambia
PUBLIC RELATIONS	
Hill & Knowlton East Africa Ltd.	Kenya
Ogilvy Public Relations Ltd.	Kenya
Hill & Knowlton Strategies Nigeria Ltd.	Nigeria
Hill & Knowlton Strategies Uganda Ltd.	Uganda
Hill + Knowlton Strategies SA Pty Ltd.	South Africa
WPP Team Gabon SARL	Gabon
DIGITAL ADVERTISING	
Squad Digital Ltd.	Kenya
Squad Digital Nigeria Ltd.	Nigeria
SPECIALITY COMMUNICATION	
Roundtrip Ltd.	Kenya

Note: This is not a complete list of legal entities within the group.

HISTORICAL FINANCIAL TRENDS

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR THE YEAR

All figures in KSh'000	2019	2018	2017	2016	2015
Continuing operations					
Billings	9,282,328	13,821,790	14,118,620	16,306,447	16,791,084
Revenue	2,872,837	4,504,904	4,122,869	4,835,073	5,022,408
Interest income	165,620	291,104	290,412	406,528	436,098
Profit before taxation	290,682	959,888	696,414	725,925	875,271
Tax charge	(131,890)	(347,679)	(218,471)	(265,545)	(396,599)
Profit for the year from continuing operations	**158,792**	**612,209**	**477,943**	**460,380**	**478,672**
Discontinued operations					
Profit for the year from discontinued operations	332,617	–	–	–	–
Profit for the year	491,409	612,209	477,943	460,380	478,672
Non controlling interests	(59,438)	(57,728)	(23,247)	(37,395)	(55,096)
Profit available to WPP Scangroup Shareholders	431,971	554,481	454,696	422,985	423,576
Basic earnings per share (EPS) (KSh)	1.00	1.37	1.20	1.12	1.12
Weighted average number of shares (million)	**432.16**	**405.51**	**378.87**	**378.87**	**378.87**

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

All figures in KSh'000	2019	2018	2017	2016	2015
ASSETS					
Non – current assets	2,093,430	3,184,247	2,834,897	2,374,237	2,331,575
Current assets	10,709,743	11,240,951	10,924,015	11,112,161	10,136,904
Total assets	**12,803,173**	**14,425,198**	**13,758,912**	**13,486,398**	**12,468,479**
LIABILITIES					
Non – current liabilities	255,475	505,080	5,880	4,662	185,756
Current liabilities	5,355,126	5,430,739	4,787,863	4,673,097	3,678,463
Equity	7,192,572	8,489,379	8,965,169	8,808,639	8,604,260
Total Equity and Liabilities	**12,803,173**	**14,425,198**	**13,758,912**	**13,486,398**	**12,468,479**

SHAREHOLDERS INFORMATION TOP 10 SHAREHOLDERS

Rank	Name	Number of shares held	% of issued share capital
1.	Cavendish Square Holding B.V	176,903,560	40.94%
2.	Russell Square Holding B.V	53,290,883	12.33%
3.	Standard Chartered Kenya Nominees Ltd A/c KE002335	51,813,561	11.99%
4.	Bharat Kumar Thakrar and Sadhna Bharat Thakrar	46,147,264	10.68%
5.	Standard Chartered Kenya Nominees Ltd A/c KE20510	35,479,499	8.21%
6.	Ogilvy and Mather South Africa (Proprietary) Limited	12,907,856	2.99%
7.	Standard Chartered Kenya Nominees Ltd. A/C KE002471	9,546,938	2.21%
8.	Kestrel Capital Nominees Ltd A/c Krohne Fund	7,844,200	1.82%
9.	Bora Services Ltd-Sers 1	3,293,267	0.76%
10.	Standard Chartered Kenya Nominees Ltd A/c KE002506	1,552,962	0.36%
	Total	**398,779,990**	**92.28%**

SHAREHOLDERS BY RANGE

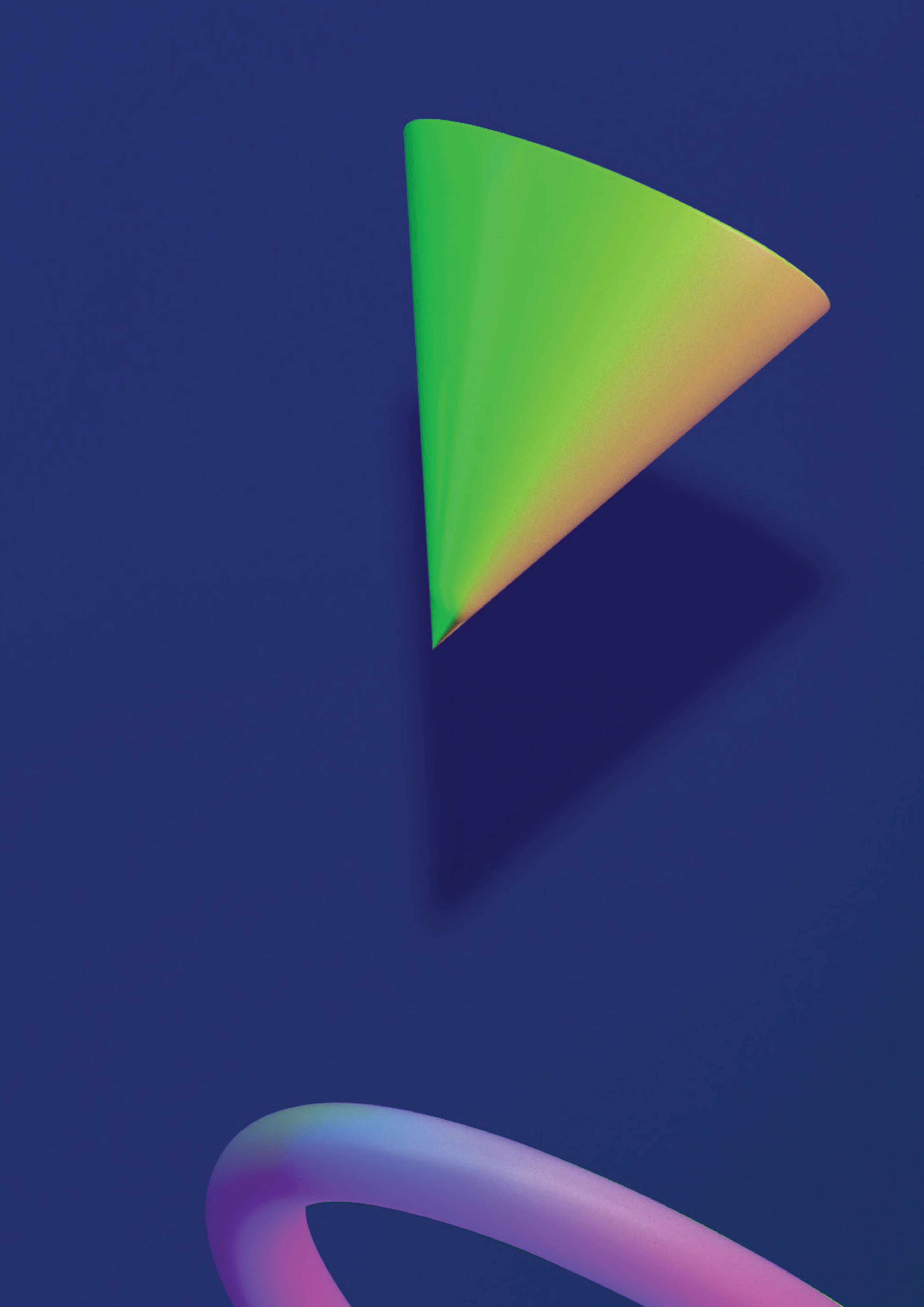
Range	Number of Shareholders	Number of shares held	% of issued share capital
1 -500	18,012	5,930,193	1.37%
501 – 1,000	3,263	2,221,272	0.51%
1,001 – 5,000	1,928	3,980,234	0.92%
5,001 – 10,000	278	1,916,149	0.44%
10,001 – 50,000	224	4,350,147	1.01%
50,001 – 1000,000	59	11,501,320	2.66%
Above 1,000,000	14	402,256,670	93.08%
Total	**23,778**	**432,155,985**	**100.00%**

SHAREHOLDING BY CATEGORY

	Number of Shareholders	Number of shares held	% of issued share capital
Foreign Investors	298	352,127,990	81.48%
East Africa Individuals	22,630	67,191,980	15.55%
East Africa Institutions	850	12,836,015	2.97%
Total	**23,778**	**432,155,985**	**100.00%**

DIRECTORS SHAREHOLDERS

Name	Number of shares held	% of issued share capital
Bharat Kumar Thakrar (Jointly owned with Sadhna Bharat Thakrar)	46,147,264	10.68%
Richard Omwela	2,520	0.00%
Jonathan Neil Eggar	300,000	0.07%
Satyabrata Das	200,000	0.05%
Total	**46,649,784**	**10.80%**



PUSHING NEW FRONTIERS AS AFRICA'S LEADING MARKETING AND COMMUNICATION GROUP

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of WPP Scangroup Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2019, which disclose its state of affairs.

PRINCIPAL ACTIVITY

The principal activity of the Group is the provision of integrated marketing communication services, which combines six disciplines viz. advertising, media investment management, advertising research, public relations, digital advertising and specialty communications into cohesive marketing strategies for products and services of our customers.

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Profit before tax	290,682	959,888	653,201	289,102
Tax charge	(131,890)	(347,679)	(22,882)	(30,551)
Profit for the year from continuing operations	**158,792**	**612,209**	**630,319**	**258,551**
Profit for the year from discontinued operations	332,617	–	–	–
Profit for the year	**491,409**	**612,209**	**630,319**	**258,551**
Other comprehensive loss	(29,906)	(97,120)	–	–
Total comprehensive income for the year	**461,503**	**515,089**	**630,319**	**258,551**

Detailed results on page 34

DIVIDENDS

The directors has decided to defer the dividend declaration for the financial year 2019 (2018: KShs. 1.00 per share totaling KShs. 432,155,985 based on 432,155,985 shares and a special dividend of KShs. 3.00 per share totaling KShs. 1,296,467,955 based on 432,155,985 shares).

DIRECTORS

The current members of the Board of Directors are as shown on Page 5.

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 as a director. Mr. Muchiri Wahome resigned from the Board with effect from 10th May 2019.

In May 2019, Mr. Satyabrata Das was appointed as Executive Director – Finance of WPP Scangroup Plc.

ENHANCED BUSINESS REVIEW

OVERVIEW

WPP Scangroup Plc prides itself in creating transformative ideas and outcomes for its clients through an integrated offer of communications, experience, reach, commerce and technology in Sub Saharan Africa. The Group offers its clients the best in class marketing services. Technology is reshaping all industries and there is a digital disruption happening in our industry too. The Group has adapted by integrating the digital thinking in the traditional capacity. The Group believes that the future is in technology and data driven marketing however, it may take some time for complete adaptation by local clients. We are already seeing some success in our in house developed data and technology products which we believe will be the future growth and margin drivers for our group. While there is immense excitement and value in digital, the same is not reflected in the overall spends. TV and Radio continue to be dominant while digital has remained relatively small despite global trends. However this situation can rapidly change in 2020, given the COVID-19 pandemic is significantly impacting consumer trends.

Increased interest in Africa by our competitors is also seeing us vying for talent and attention more aggressively than in the past. And amidst concerns about transparency, privacy, fake news and data security, we need to restore overall trust among the public, policy makers and clients.

OPERATIONS

The year 2019 was a tough economic year due to the general business climate where cost optimization like the previous year continued to be the key word for our clients. Key sectors to the Kenyan economy including agriculture and manufacturing suffered. A mix of factors that ranged from poor rainfall over the March – May long rains season as well as turmoil in key export markets for Kenyan products such as tea and cut flowers contributed to the poor economic growth. In addition, the interest rate cap policy hurt many sectors by reducing liquidity. The policy was only withdrawn towards the end of the year. Lack of liquidity, spending power and consumption were key factors in the difficult business environment. We were not any different and faced revenue pressures like our clients in this difficult market. Lack of competition in the telecom segment adversely impacted the spends in the traditional media sector and the fast-moving consumer goods companies continued to face topline pressure, and as a result reduced their marketing activity and therefore media spend. Similarly, the banking sector also reduced marketing activity due to the interest rate caps and in order for them to maintain their margin. We were also severely impacted by lack of spends from parastatals who were cash starved. However, as a result of this reduced activities, we enhanced cost control measures and still maintained our service delivery to client by being more innovative and efficient and delivering cost effective solutions. We were able to contain our cost but could not match the drop in top-line businesses.

In July 2018, we also acquired 80% of shareholding in Kantar TNS, which is a research business and were able to draw synergies swiftly. The results include a full year for 2019, albeit they are reported as part of discontinued operations (see below). The synergies we were able to achieve have allowed us to maintain our profitability and cash from operations.

WPP Plc, WPP Scangroup Plc's majority shareholder, has entered into an agreement to sell 60% of its shareholding in Kantar, its global data, research, consulting and analytics business to Bain Capital Private Equity ("the sale"). As a result, WPP Scangroup Plc is to sell its 80% stake in TNS and 100% stake in Millward Brown. In the year, the discontinued operations recorded a profit after tax of KShs. 332,617,000.

GOVERNANCE

WPP Scangroup Plc Board of Directors is committed to ensuring there is a strong and effective system of corporate governance in place to support the successful execution of the company's strategy. The Board attaches great importance to the need to conduct business and operations of the group with Integrity, Transparency and Accountability. The Board is also collectively responsible for promoting the success of the company by directing and supervising the company's policy and strategy and is responsible to shareholders for the Group's financial and operational performance and risk management. The Board is committed to complying with legislation, regulation and best practice, and it has in particular adopted The Capital Markets Authority, The Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (the Code).

We qualified for CMA's exemption of the Governance audit in 2019 as we had conducted the audits in two consecutive years. We continue to review and improve upon our processes, policies, systems and practices and we use all possible measures to ensure they are within the legal and regulatory framework and in line with the global best practices on corporate governance.

CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABILITY

WPP Scangroup Plc aims to make affirmative contribution to the environment and society, which we operate in. Through our pro bono work we support organisations working with local communities in key areas like the environment, health, human rights, the arts and education.

We also focus on the sustainability issues, risks and opportunities of most importance to our business and our stakeholders, including our clients, investors and people.

Our companies help clients to understand sustainability, and the value to their brands. As a Group, we aspire to be known for social, environmental and ethical leadership within the marketing services sector.

The following are some of the pro-bono activities that WPP Scangroup Plc and our companies in various countries did in 2019:

1. KENYA:

a) Rescue Dada centre Initiative:

WPP Scangroup Plc contributed money towards the CSR kitty that was used to buy an assortment of food stuffs, toiletries and sanitary towels. Employees in the HR department on their part donated clothes–to the Rescue Dada Centre, a Nairobi-based rehabilitation centre that supports girls from vulnerable backgrounds to rebuild their lives. Representatives from within the Group presented the support items to the Centre.

About Rescue Dada:

Each year the Centre rescues up to 70 girls aged 5–16 years from the streets of Nairobi, most of whom are reintegrated with members of their immediate or extended family within twelve months.

Their child protection programme promotes family-based rather than institutionalized care, reuniting street girls with their families. The center does follow up visits even after the children have been reintegrated with their families to ensure harmony.

b) GIVE:

An initiative which aims to support the creative talent across Sub Saharan markets they operate in and help underprivileged youth in communities to gain the much-needed creative skills. The initiative comprises of approaches, which include Giving Time and Giving Space.

The initiative is in line with Ogilvy's three sustainability pillars: actions that are human-centered, an innovative audacity and action that matter.

Give Space enabled young artists, selected based on their potential and the depth of their message exhibit their art in Ogilvy offices, this presented them an opportunity to showcase their skills and ideas.

We have held exhibitions with three artists:

- Lemek Tompoika, who was our first artist.
- Taabu Munywoki and Joe 'Ango' Makau are our current exhibitors.

2. UGANDA CLEAN WATER

The WPP Scangroup Uganda team collaborated with Nyonta Relief to provide clean water for use in their households for drinking, cooking and other uses to the rural communities in Uganda.

3. KANTAR KENYA

Kantar 2019 CSR activity was a partnership with Special Olympics. The team had an Extra Ordinary People's Week – which involved doing various activities to raise cash for the Global Special Olympics. Our Staff Volunteers attended a unified school (Oshwal Academy) Floor ball event as fans and cheer squad. They were also panelist and spectators for some of the sessions at Trademark Hotel.

The whole event was a campaign to drive inclusion in schools where youth can actually work together to achieve common goals and eliminate stigmatization.

4. COVID 19 FUND

On 1st April 2020, His Excellency President Uhuru Kenyatta established the COVID-19 Emergency Response Fund. The principal objective of the Fund was to mobilise resources for emergency response towards containing the spread, effects and impact of the COVID-19 pandemic. In support of this fund WPP Scangroup made a contribution of KShs. 5 million.

In addition to this the company also produced pro bono an awareness campaign for COVID 19 for the World Health Organization (WHO) that ran in media across 16 countries in Sub Saharan Africa. The group used its relationship with media vendors to secure media worth USD 3.5 million.

LEARNING AND DEVELOPMENT (L&D):

At WPP Scangroup Plc, we know it's our people that make the company and what we do extraordinary. This belief is what makes our people our biggest asset and that's why it's extremely important to make sure we train and develop our people to be the best.

In 2019, we offered a wide range of quality training opportunities to develop our people's skills, and to help our business grow in areas such as technology, branding, negotiations and influence.

We put significant resources into training our people in addition to developing many of our own bespoke training programs. The training was at both Group and agency levels and some of the key initiatives includes:

1. **Spring School:** Highly intensive and interactive program to help develop our resource's consulting skills.

2. **WPP Walk The Talk** – Women in Leadership training championing diversity and inclusion of all our women in the business. The training brought 42 female employees across all our companies together.
3. **"The Crucible"** – WPP Scangroup in partnership with KCB Bank Group and Strathmore University launched The Crucible, a nation-wide competition for marketing and communication students. The top 3 contenders won a prize given to them by KCB and WPP Scangroup offering 10 students internship opportunities to nurture and develop the potential talent, and finding future leaders.
4. **Game Changers programme:** This is a WPP Scangroup program with the aim of granting at least two (2) University scholarships and internship to academically gifted yet economically and socially marginalized young Kenyans. Currently we have one sponsored candidate.
5. **Stream Conference:** Known as one of the world's leading technology events, Stream was held in Nairobi and brought over 100 brands and technology companies from across the region for 2 days of debate on digital future.
6. **Negotiations Skills:** To train all Finance and Commercial teams on acquiring negotiations skills relevant to carry out their jobs.
7. **Mental Health Talks** by renowned Psychologists for mental wellbeing and awareness.
8. **Curiosity Sessions:** These were weekly sessions where renowned Creatives and Artists were invited to share learnings and experiences.
9. **Octave:** to train the new joiners in the H+K Way of client servicing, becoming trusted advisors.
10. **Lunch and learn:** Key note speaker training to equip our resources with life skills.
11. **Kantar Kenya conducted following trainings**
    - Need scope Training
    - Management Fundamentals Module 1 & @
    - K Grow Training
    - Analytics
    - Courses on LinkedIn In Learning – company sponsored to all
12. **H+K Nigeria Trainings**
    - 3P Training
    - Content Development
    - Letter Writing Techniques

    In addition, individual operating companies also have their own L&D programs to develop business and creative skills. Our training programs are delivered either online or face-to-face, with some programs delivered by external training partners.

    We are also keenly participating in mobility programs to help upskill talent in other markets but also give a chance to our budding talent to lead in various capacity.

    Operating Companies evaluate the effectiveness of training programs using follow-up check in's, surveys with employees and managers and by monitoring career progression and talent retention.

STRATEGIC GOALS & KEY PRIORITIES FOR 2020

Technology will continue to reshape our industry. We envisage continuous decline in the traditional channels and growth in the new channels like Google, Facebook etc. The clients want much greater insight into media channels and performance, and expertise in data. Growth of new channels means our clients need a greater amount of content to populate these channels. These need to be produced more cost effectively, and need to be customized for individual needs and demands. E-commerce is where all the growth is going to come from, and our clients want us to be there. This also means sales and marketing need to be much closer, and all of this is being driven by data, technology and creativity at its heart which we will need to provide. Given the above, our industry is facing a structural change and not a decline. Key challenges being that the role of our traditional agencies are changing, our clients are being disrupted by choice and availability of multiple channels of communication and they need business solutions and not only communication solutions.

WPP Scangroup has substantial assets. We partner with most of the world's and continent's largest brands and media and technology companies. We have scale across Africa and through WPP across the globe. We are also great partners to the Chief Marketing Officers of the large brand names and have a thorough understanding and insight of their consumers.

REPORT OF THE DIRECTORS (Continued)
ENHANCED BUSINESS REVIEW (Continued)
CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABILITY (Continued)
STRATEGIC GOALS & KEY PRIORITIES FOR 2020(Continued)

Going forward our focus and strategy for growth will be to reorganize our vision and offer, continue to invest in technology, data and creativity and make this easily available to our clients.

LOOKING AHEAD

COVID 19 pandemic will leave no country untouched, though its duration and depth of the impact on the global economy, would be difficult to predict. The crisis is unprecedented and all global economic forecasts for the economy are expected to be grim– and there is a risk that the impact could be even worse than currently expected. All indicators point towards first recession in the Sub Saharan Africa region over the past 25 years. The economy is predicted to fall sharply in 2020. We have to brace ourselves and implement cost saving initiatives while working with clients to help them navigate during these critical times. The Coronavirus outbreak will also challenge us and our clients to change our attitude towards doing business and adapting technology in providing business solutions. Digital disruption will continue to be relevant as we move towards a new normal in a post COVID 19 market place.

We believe given our investments in data, technology and e-commerce, we will be in a good place to reap benefits going forward. We also believe the current 'remote working' experience will set up new opportunities on 'flexi working' and use of 'global talent' which should help us reduce costs and offer more robust business solutions to our clients.

EMPLOYEE STATISTICS

The tables below summarise the number and composition of employees in terms of gender:

i) Categorisation by employment contract

	31 December 2019			31 December 2018		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Permanent	307	260	567	371	306	677
Contracted	406	174	580	387	168	555
	713	**434**	**1147**	**758**	**474**	**1232**

ii) Categorisation by gender

	31 December 2019		31 December 2018	
	Male	**Female**	**Male**	**Female**
Senior leadership	64%	36%	61%	39%
Head Of Department	38%	62%	55%	45%
Senior Managers	54%	46%	50%	50%
Overall	55%	45%	54%	46%

KEY CORPORATE RISKS AND MITIGATING FACTORS

The Group is exposed to various risks in its business environment which affects the achievements of its objectives. The Company has a formed Management Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. These policies are established to identify and analyse the risks faced by the Group, set appropriate risk limits and to monitor risks and adherence to limits. The chairman of this Management Risk Committee is the Group CEO of WPP Scangroup and reports to the Board Audit and Risk Committee and also to the Global WPP business integrity function responsible for the global compliance of WPP Group companies.

BOARD ANNOUNCEMENT

In May 2019, Mr. Satyabrata Das was appointed as Executive Director – Finance of WPP Scangroup Plc.

Satyabrata Das, is the Chief Finance Officer at WPP Scangroup. 43 years old, Satya is a member of the Institute of Certified Public Accountants of Kenya and The Association of Chartered Certified Accountants, UK.

He is a Post Graduate in Business Administration and a Diploma holder in Business Finance and has attended executive courses on negotiations at Harvard Business School.

He started his career as a sponsored candidate to Siemens "IGTC – Dual Education" program in 1997 in Mumbai, India. After working for 8 years in the Commercial function in the manufacturing sector, he moved into Advertising and Media with Publicis Groupe Media as Finance Controller for India in 2005 prior to joining WPP Scangroup in 2009.

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of section 721 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By Order of the Board

Reuben Mwangi
Secretary
29 April 2020
Nairobi

DIRECTORS' REMUNERATION REPORT

CHAIRMAN'S STATEMENT

The Directors remuneration policy sets out the guidelines that the Group and Company have applied to remunerate its Executive and Non-Executive Directors. The Directors remuneration report has been prepared in accordance with the Capital Markets Authority, The Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (the Code) and the requirements of the Kenyan Companies Act, 2015.

The Group's and Company's Nomination and Remuneration committee (''the committee'') of the Board is responsible for overseeing and monitoring the company's corporate governance policies, practices and guidelines.

The Committee is mandated to review the remuneration of the Directors to ensure that the same is competitive and aligned with the business strategy and long-term objectives of the Company.

The Directors' remuneration policy at a glance is set out below:

Executive Directors

The Executive Directors are remunerated in accordance with the staff remuneration policy. Their remuneration package comprises a base salary, pension/gratuity and other benefits designed to recognise the skills and experience of an Executive Director.

Non-Executive Directors

In recognition of their contribution to the Company, Non-Executive Directors receive fees as well as sitting allowances for Board and Committee meetings. The fees are approved by Shareholders at Annual General Meetings and are payable on a quarterly basis. The Non-Executive Directors are not covered by the Company's incentive programs and do not receive performance-based remuneration. No pension contributions are payable on their fees.

Travel and related expenses

The Company reimburses travel and accommodation expenses related to attendance of Board meetings for Non-Executive Board members who are not Kenyan residents. There is a travel policy for Non-Executive Directors.

Implementation report

During the year under review, there was no arrangement to which the Group and Company was a party where Directors acquired benefits by means of transactions in the Group's and Company's shares outside the applicable law. The Group has a strict insider trading policy to which the Directors and senior management must adhere to. There were no Directors' loans at any time during the year.

Directors' Contract of Service

The tenures of the Directors in office at the end of the current financial period are tabulated below:

	Name	Position	1st date of appointment	Last re-election	Date of end of current tenure
1	Richard Omwela	Chairman/Independent Director	14/11/2005	26/05/2017	25/05/2020
2	Bharat Thakrar	Director/CEO	26/01/1999	N/A	N/A
3	Andrew Grant Balfour Scott	Director	31/10/2008	N/A	N/A
4	Jonathan Neil Eggar	Director	29/05/2015	N/A	N/A
5	Satyabrata Das	Director/CFO	10/05/2019	N/A	N/A
6	Laurence Mellman	Director	17/04/2012	N/A	N/A
7	Patricia Ithau	Independent Director	15/03/2017	15/03/2017	25/05/2020
8	Pratul Hemraj Shah	Independent Director	26/07/2018	26/07/2018	25/07/2021
9	Dominic Grainger	Director	26/07/2018	26/07/2018	N/A

At the previous annual general meeting (AGM) shareholders voted for the adoption of the Directors remuneration through proposal and secondment on the floor of the AGM.

The remuneration of all Directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate.

INFORMATION SUBJECT TO AUDIT

The remuneration paid to Directors in the period under review and the prior year is summarised in the table below:

31 December 2019

All figures in KSh'000 Director	Salary	Allowances	Fees	Value of non cash benefits	Total
Bharat Thakrar	49,198	32,278	–	7,091	88,567
Satyabrata Das *	15,456	2,423	–	–	17,879
Richard Omwela	–	–	3,500	–	3,500
Muchiri Wahome	–	–	600	–	600
Patricia Ithau	–	–	1,700	–	1,700
Pratul Hemraj Shah	–	–	1,900	–	1,900
Total	**64,654**	**34,701**	**7,700**	**7,091**	**114,146**

* Amounts shown above are from the date of appointment (10th May 2019).

DIRECTORS' REMUNERATION REPORT (Continued)

During the year below number of shares have been granted to Satyabrata Das under the "Employees Share Retention Scheme" (ERS):

Number of shares granted	Grant Date	Vesting date
400,000	23-Oct-19	30-Jun-20
400,000	23-Oct-19	30-Jun-21
400,000	23-Oct-19	30-Jun-22

31 December 2018

All figures in KSh'000

Director	Salary	Allowances	Fees	Value of non cash benefits	Total
Bharat Thakrar	42,850	28,234	–	7,091	78,175
Jonathan Neil Eggar	5,000	294	–	173	5,467
David Hutchison	–	–	537	–	537
Richard Omwela	–	–	780	–	780
Muchiri Wahome	–	–	580	–	580
Patricia Ithau	–	–	580	–	580
Pratul Hemraj Shah	–	–	410	–	410
Total	**47,850**	**28,528**	**2,887**	**7,264**	**86,529**

Reuben Mwangi
Company Secretary

Nairobi
29 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and the company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the company and its subsidiaries and disclose, with reasonable accuracy, the financial position of the Group and the company. The directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

ii) selecting suitable accounting policies and applying them consistently; and

iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's and company's ability to continue as going concerns, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and company's ability to continue as going concerns.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 29 April 2020 and signed on its behalf by:

Richard Omwela
Director

Bharat Thakrar
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

Report on the Audit of the Consolidated and Company Financial Statements

Our Opinion

We have audited the accompanying consolidated and company financial statements of WPP Scangroup Plc ("the Group") set out on pages 34 to 86, which comprise the consolidated and company statements of financial position as at 31 December 2019, the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and consolidated and company statements of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements give a true and fair view of the financial position of the Group and of the company as at 31 December 2019 and of their consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Goodwill
Goodwill represents consideration paid in excess of the fair value of the net assets of the subsidiaries acquired. As at 31 December 2019, the goodwill balance was KShs. 1,590,913,000 comprising KShs. 339,038,000 held under non-current assets as disclosed in note 20 to the consolidated financial statements and KShs. 1,251,875,000 held under non-current assets held for sale as disclosed in note 24 to the consolidated financial statements (2018: KShs. 1,590,913,000). This asset which represents 12% (2018: 11%) of the total assets of the Group has been recognised in the consolidated statement of financial position as a consequence of the acquisition of subsidiaries disclosed in note 16 of the consolidated financial statements.
 	
As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models.
 	
As disclosed in note 6 to the consolidated financial statements, there are a number of critical accounting judgements made and key sources of estimation in determining the inputs into these models which include:
• Growth rates applicable to the cash generating units (CGUs) to which goodwill has been allocated based on directors' view of future business prospects,
• Estimation of the future cash flows expected to be generated by the CGUs and
• The discount rates applied to the projected future cash flows to arrive at the present value.
 	
Accordingly, the determination of the carrying value of goodwill and related impairment test of this asset requires the directors' significant judgement and estimations and we therefore considered it to be a key audit matter.
	Our procedures included challenging the directors on the suitability of the impairment model and reasonableness of the assumptions through performing the following audit procedures:
	• For goodwill forming part of the non-current assets held for sale, an amount of KShs. 1,251,875,000 is attributed to Millward Brown East Africa Limited. This constituted 79% of the goodwill balance. As Millward Brown is part of the disposal group disclosed in note 24 to the consolidated financial statements, we evaluated the group's ability to realise the goodwill through the sale transaction.
	• For the remainder of the goodwill of KShs. 339,038,000 classified as part of non-current assets, engaged our internal fair value specialists to assist with:
	  ◦ Assessing the methodology used in preparing the impairment testing model;
	  ◦ Critically evaluating whether the model used by the directors to calculate the value in use of the individual CGUs complies with the requirements of IAS 36, Impairment of Assets; and
	  ◦ Reviewing the assumptions used to calculate the growth and discount rates and assessing these rates for reasonableness.
	• Analysed the key assumptions used in the impairment model for goodwill, including specifically, the long term growth rates, operating cash flow projections and discount rates. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin.
	• Analysed the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonableness of the directors' projections.
	• Subjected the key assumptions to sensitivity analyses.
	• Tested the integrity and mathematical accuracy of the impairment model and agreeing relevant input data to externally derived data (where applicable) as well as forming our own assessment.
	
	The goodwill attributed to non-current assets held for sale will be realised through the sale transaction. For the remainder of the goodwill, we concluded that the assessment of estimation of the future cash flows expected to be generated by the CGUs and assumptions used by the directors were comparable with historical performance. We also found that the expected future outlook and the discount rates used were appropriate in the circumstances.
	
	We consider the disclosures in the consolidated financial statements of the goodwill asset to be appropriate.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC (Continued)
Report on the Audit of the Consolidated and Company Financial Statements (Continued)

Other Information

The directors are responsible for the other information, which comprises the corporate information, report of the directors, statement of directors' responsibilities and directors' remuneration report which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with governance for the Consolidated and Company Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the Group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skeptism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and company's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the Directors

In our opinion the information given in the Report of the Directors on pages 20 to 25 is consistent with the consolidated and company financial statements.

Directors' Remuneration Report

In our opinion the auditable part of the Directors' Remuneration report presented on pages 26 to 28 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants (Kenya)

Nairobi

29 April 2020

CPA David Waweru, Practising certificate No. 2204

Signing partner responsible for the independent audit

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		CONSOLIDATED		COMPANY	
All figures in KSh'000	**Notes**	**2019**	**2018**	**2019**	**2018**
Continuing operations					
Billings	7	9,282,328	13,821,790	1,558,808	1,624,741
Direct costs		(6,409,491)	(9,316,886)	(1,410,414)	(1,497,194)
Revenue		**2,872,837**	**4,504,904**	**148,394**	**127,547**
Interest income net of interest expense	8	165,620	291,104	138,190	249,592
Other income	9	30,901	31,559	610,024	207,567
Share of (loss) / profit in associates	17	(2,222)	25,131	(5,616)	(6,921)
Operating and administrative expenses		(2,742,291)	(3,863,870)	(231,283)	(277,054)
Impairment of investment in associates	17	–	(2,461)	–	–
Impairment of goodwill	20	–	(21,322)	–	–
Foreign exchange losses		(34,163)	(5,157)	(6,508)	(11,629)
Profit before tax	**10**	**290,682**	**959,888**	**653,201**	**289,102**
Tax charge	11	(131,890)	(347,679)	(22,882)	(30,551)
Profit for the year from continuing operations		**158,792**	**612,209**	**630,319**	**258,551**
Discontinued operations					
Profit for the year from discontinued operations	24	332,617	–	–	–
Profit for the year		**491,409**	**612,209**	**630,319**	**258,551**
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations		(29,906)	(97,120)	–	–
Total comprehensive income for the year		**461,503**	**515,089**	**630,319**	**258,551**
Profit attributable to:					
Shareholders of the holding company		431,971	554,481	630,319	258,551
Non-controlling interests		59,438	57,728	–	–
		491,409	**612,209**	**630,319**	**258,551**
Total comprehensive income attributable to:					
Shareholders of the holding company		408,842	467,418	630,319	258,551
Non-controlling interests		52,661	47,671	–	–
		461,503	**515,089**	**630,319**	**258,551**
Earnings per share					
From continuing operations					
Basic (KSh)	13	0.34	0.55	1.46	0.64
Diluted (KSh)	13	0.34	0.55	1.46	0.64
From continuing and discontinued operations					
Basic (KSh)	13	1.00	1.37	1.46	0.64
Diluted (KSh)	13	1.00	1.37	1.46	0.64

SUMMARY OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019 FOR CONTINUING AND DISCONTINUED OPERATIONS

	Continuing operations		Discontinued operations		Consolidated	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Billings	**9,282,328**	**11,448,501**	**3,298,158**	**2,373,289**	**12,580,486**	**13,821,790**
Revenue	2,872,837	3,028,509	2,198,877	1,476,395	5,071,714	4,504,904
Operating profit	130,546	129,120	536,884	511,914	667,430	641,034
Foreign exchange losses	(34,163)	(25,317)	9,207	20,160	(24,956)	(5,157)
Interest income net of interest expense	165,620	280,522	(3,566)	10,582	162,054	291,104
Other income (net of impairment)	28,679	30,477	1,956	2,430	30,635	32,907
Profit before tax	**290,682**	**414,802**	**544,481**	**545,086**	**835,163**	**959,888**
Tax charge	(131,890)	(168,312)	(211,864)	(179,367)	(343,754)	(347,679)
Profit for the year	**158,792**	**246,490**	**332,617**	**365,719**	**491,409**	**612,209**
Profit attributable to:						
Shareholders of the holding company	145,903	224,828	286,068	329,653	431,971	554,481
Non-controlling interests	12,889	21,662	46,549	36,066	59,438	57,728
	158,792	**246,490**	**332,617**	**365,719**	**491,409**	**612,209**

Note: The results for 2018 in respect of discontinued operations are included above for comparative purposes only, but they form part of continuing operations in 2018 on page 34.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

All figures in KSh'000	Notes	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
ASSETS					
Non-current assets					
Equipment	14	209,544	361,613	87,436	99,089
Right-of-use assets	15	307,441	–	126,846	–
Investment in subsidiaries	16	–	–	4,943,180	7,756,994
Investments in associates and other equity investment	17	196,371	197,781	160,939	166,555
Long term loans to related companies	18	409,644	314,256	495,251	414,189
Deferred tax asset	19	631,392	719,684	263,516	241,513
Goodwill	20	339,038	1,590,913	–	–
		2,093,430	**3,184,247**	**6,077,168**	**8,678,340**
Current assets					
Trade and other receivables	21	3,618,865	5,637,216	456,941	311,168
Work-in-progress	22	10,431	73,960	801	3,849
Receivable from related parties	18	86,030	263,300	1,396,266	1,058,993
Tax recoverable	11.3	735,455	841,726	50,516	21,522
Cash, bank and deposit balances	23	2,133,713	4,424,749	870,801	2,643,801
		6,584,494	**11,240,951**	**2,775,325**	**4,039,333**
Assets classified as held for sale	24	4,125,249	–	2,813,814	–
		10,709,743	**11,240,951**	**5,589,139**	**4,039,333**
TOTAL ASSETS		**12,803,173**	**14,425,198**	**11,666,307**	**12,717,673**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	25	432,156	432,156	432,156	432,156
Share premium		9,155,166	9,155,166	9,155,166	9,155,166
(Accumulated deficit) / revenue reserve		(2,128,152)	(813,799)	691,607	1,794,392
Translation deficit		(430,223)	(407,094)	–	–
Equity attributable to shareholders of the holding company		7,028,947	8,366,429	10,278,929	11,381,714
Non-controlling interests		163,625	122,950	–	–
Total equity		**7,192,572**	**8,489,379**	**10,278,929**	**11,381,714**
Non-current liabilities					
Deferred tax liability	19	34	2,974	–	–
Lease liabilities	26	255,441	–	111,174	–
Loan payable to a related party	18	–	502,106	–	–
		255,475	**505,080**	**111,174**	**–**
Current liabilities					
Trade and other payables	27	3,041,605	4,672,024	533,931	412,870
Tax payable	11.3	87,813	204,556	–	–
Payable to related parties	18	31,578	540,104	685,564	909,034
Lease liabilities	26	61,330	–	23,993	–
Dividends payable	28	32,716	14,055	32,716	14,055
		3,255,042	**5,430,739**	**1,276,204**	**1,335,959**
Liabilities directly associated with assets classified as held for sale	24	2,100,084	–	–	–
		5,355,126	**5,430,739**	**1,276,204**	**1,335,959**
TOTAL EQUITY AND LIABILITIES		**12,803,173**	**14,425,198**	**11,666,307**	**12,717,673**

The financial statements on pages 34 to 86 were approved and authorised for issue by the Board of Directors on 29 April 2020 and were signed on its behalf by:

Richard Omwela
Director

Bharat Thakrar
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

All figures in KSh'000	Share capital	Share premium	(Accumulated deficit) / revenue reserve	Translation deficit	Attributable to share holders of the holding company	Non-controlling interests	Total
At 1 January 2018	378,865	8,281,817	508,141	(320,031)	8,848,792	116,377	8,965,169
IFRS 9 day 1 transition adjustment (Note 21)	–	–	(546,077)	–	(546,077)	(5,946)	(552,023)
Deferred tax on IFRS 9 day 1 adjustment (Note 19)	–	–	163,318	–	163,318	1,669	164,987
Adjusted balance at 1 January 2018	**378,865**	**8,281,817**	**125,382**	**(320,031)**	**8,466,033**	**112,100**	**8,578,133**
Shares issued	53,291	873,349	–	–	926,640	–	926,640
Profit for the year	–	–	554,481	–	554,481	57,728	612,209
Acquisition of non-controlling interests	–	–	(1,209,513)	–	(1,209,513)	–	(1,209,513)
Non-controlling interest acquired	–	–	–	–	–	(22,317)	(22,317)
Other comprehensive income	–	–	–	(87,063)	(87,063)	(10,057)	(97,120)
Dividend declared – 2017	–	–	(284,149)	–	(284,149)	(14,504)	(298,653)
At 31 December 2018	**432,156**	**9,155,166**	**(813,799)**	**(407,094)**	**8,366,429**	**122,950**	**8,489,379**
At 1 January 2019	432,156	9,155,166	(813,799)	(407,094)	8,366,429	122,950	8,489,379
IFRS 16 day 1 transition adjustment (Note 5)	–	–	(17,700)	–	(17,700)	(2,546)	(20,246)
Adjusted balance at 1 January 2019	**432,156**	**9,155,166**	**(831,499)**	**(407,094)**	**8,348,729**	**120,404**	**8,469,133**
Profit for the year	–	–	431,971	–	431,971	59,438	491,409
Other comprehensive loss	–	–	–	(23,129)	(23,129)	(6,777)	(29,906)
Dividend declared – 2018	–	–	(1,728,624)	–	(1,728,624)	(9,440)	(1,738,064)
At 31 December 2019	**432,156**	**9,155,166**	**(2,128,152)**	**(430,223)**	**7,028,947**	**163,625**	**7,192,572**

The reserve accounts included in the Statement of Changes in Equity are explained below:

- Revenue reserve represent accumulated profits retained by the company after payment of dividend to the shareholders
- The translation reserve represents the cumulative position of translation gains or losses arising from conversion of net assets of foreign subsidiary companies to the reporting currency
- Transition adjustment is related to IFRS 16 which requires the Group to recognise an equity adjustment on the lease asset as at 1 January 2019.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

All figures in KSh'000	Share capital	Share premium account	Revenue reserve	Total
At 1 January 2018	378,865	8,281,817	1,820,600	10,481,282
IFRS 9 day 1 transition adjustment (Note 21)	–	–	(872)	(872)
Deferred tax on IFRS 9 day 1 adjustment (Note 19)	–	–	262	262
Adjusted balance at 1 January 2018	**378,865**	**8,281,817**	**1,819,990**	**10,480,672**
Shares issued	53,291	873,349	–	926,640
Profit for the year	–	–	258,551	258,551
Dividend declared – 2017	–	–	(284,149)	(284,149)
At 31 December 2018	**432,156**	**9,155,166**	**1,794,392**	**11,381,714**
At 1 January 2019	432,156	9,155,166	1,794,392	11,381,714
IFRS 16 day 1 transition adjustment (Note 5)	–	–	(4,480)	(4,480)
Adjusted balance at 1 January 2019	**432,156**	**9,155,166**	**1,789,912**	**11,377,234**
Profit for the year	–	–	630,319	630,319
Dividend declared – 2018	–	–	(1,728,624)	(1,728,624)
At 31 December 2019	**432,156**	**9,155,166**	**691,607**	**10,278,929**

- Revenue reserve represent accumulated profits retained by the company after payment of dividend to the shareholders.
- Transition adjustment is related to IFRS 16 which requires the Company to recognise an equity adjustment on the lease asset as at 1 January 2019.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		CONSOLIDATED		COMPANY	
All figures in KSh'000	**Notes**	**2019**	**2018**	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		491,409	612,209	630,319	258,551
Depreciation on equipment	14	128,649	119,146	22,751	28,904
Depreciation of Right-of-use assets	15	69,281	–	24,925	–
Provision of bad and doubtful debts (net of reversals)	21	96,282	(10,910)	(10,959)	6,946
Interest expense	8	16,026	14,030	220	633
Tax charge		343,754	347,679	22,882	30,551
Interest on lease liabilities		22,441	–	11,208	–
Impairment of investment in associates		–	2,461	–	–
Share of loss / (profit) in associates		2,222	(25,131)	5,616	6,921
Impairment of goodwill		–	21,322	–	–
Net exchange loss on long term loan to related companies		3,329	10,952	10,327	10,952
Net loss / (gain) on sale of assets		7,425	(5,555)	393	(1,861)
Interest income	8	(200,522)	(305,134)	(149,618)	(250,225)
Dividend income	9	–	–	(589,660)	(200,000)
Cash generated from operating activities before working capital changes		980,296	781,069	(21,596)	(108,628)
Working capital adjustments:					
Decrease / (increase) in trade and other receivables		877,459	1,349,403	(135,486)	642,831
Decrease / (increase) in work-in-progress		63,529	19,095	3,048	2,048
(Decrease) / increase in trade and other payables		(800,935)	(583,659)	121,061	(352,171)
(Decrease) / increase in related party balances		112,407	(194,758)	(560,743)	177,480
Net working capital changes		252,460	590,081	(572,120)	470,188
Cash generated from operating activities after working capital changes		**1,232,756**	**1,371,150**	**(593,716)**	**361,560**
Tax paid on operating income		(597,582)	(312,873)	(49,675)	(25,516)
Net cash generated from operating activities		**635,174**	**1,058,277**	**(643,391)**	**336,044**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	14	(164,056)	(71,144)	(11,722)	(3,716)
Proceeds from sale of equipment		5,617	19,742	231	2,749
Capital pending allotment refunded		–	–	–	10,072
Dividend received		–	–	589,660	200,000
Net cash obtained on acquisition		–	94,591	–	–
Payments made for acquisition of subsidiaries		–	–	–	(193,605)
Interest income received net of tax		203,733	273,949	163,811	225,447
Net cash generated from investing activities		**45,294**	**317,138**	**741,980**	**240,947**
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans repaid from related company		–	–	7,328	–
Loans advanced to a related companies		(98,717)	–	(98,717)	(33,809)
Dividends paid including tax on dividend		(1,722,443)	(299,459)	(1,709,963)	(281,723)
Repayment of lease liabilities		(88,468)	–	(31,620)	–
Interest paid		(16,026)	(14,030)	(220)	(633)
Net cash used in financing activities		(1,925,654)	(313,489)	(1,833,192)	(316,165)
Net (decrease) / increase in cash and cash equivalents		(1,245,186)	1,061,926	(1,734,603)	260,826
MOVEMENT IN CASH AND CASH EQUIVALENTS					
At the beginning of the year		4,377,820	3,396,739	2,597,136	2,336,310
Net (decrease) / increase during the year		(1,245,186)	1,061,926	(1,734,603)	260,826
Effect of fluctuations in exchange rates		(12,371)	(80,845)	–	–
Cash and cash equivalents reclassified as held for sale		(996,319)	–	–	–
Cash and cash equivalents at end of the year	23	**2,123,944**	**4,377,820**	**862,533**	**2,597,136**

1. STATEMENT OF COMPLIANCE

The consolidated financial statements of WPP Scangroup Plc and its subsidiaries (the Group) for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Kenyan Companies Act. For the 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 profit or loss and other comprehensive income.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis of accounting. Except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Classification and Measurement of Share-based Payments Transactions, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies adopted remain unchanged from the previous year unless mentioned otherwise. The consolidated financial statements are presented in Kenya Shillings and all values are rounded to the nearest thousand (KSh '000), except when otherwise indicated. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

3. BASIS OF CONSOLIDATION (Continued)

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combinations and Goodwill (Continued)

the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Transactions with entities under common control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses to non-controlling interest are also recorded in equity.

4.2. Investments in associates

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the company's interest in that associate (which includes any long-term interests that, in substance, form part of the company's net investment in the associate) are not recognised, unless the company has incurred legal or constructive obligations or made payments on behalf of the associate.

Where the company transacts with an associate, profits and losses are eliminated to the extent of the company's interest in the relevant associate.

4.3. Revenue recognition

The contracts for the Group often involve multiple agencies offering different services in different countries. As such, the terms of local, regional and global contracts can vary to meet client needs and regulatory requirements. Consistent with the industry, contracts are typically short-term in nature and tend to be cancellable by either party with 90 days' notice. The Group is generally entitled to payment for work performed to date.

The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. Revenue comprises commissions and fees earned in respect of amounts billed and is stated exclusive of VAT, sales taxes and trade discounts. Pass-through costs comprise fees paid to external suppliers when they are engaged to perform part or all of a specific project and are charged directly to clients, predominantly media and data collection costs. Costs to obtain a contract are typically expensed as incurred as the contracts are generally short-term in nature.

In most instances, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation. However, where there are contracts with services that are capable of being distinct, are distinct within the context of the contract, and are accounted for as separate performance obligations, revenue is allocated to each of the performance obligations based on relative standalone selling prices.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Revenue recognition (Continued)

Revenue is recognised when a performance obligation is satisfied, in accordance with the terms of the contractual arrangement. Typically performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of the level of service performed. Either an input method or an output method, depending on the particular arrangement, is used to measure progress for each performance obligation. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. There is normally a direct relationship between costs incurred and the proportion of the contract performed to date. In other circumstances relevant output measures, such as the achievement of any project milestones stipulated in the contract, are used to assess proportional performance.

For our retainer arrangements, we have a stand ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements are broad and generally are not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition. The amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers (such as production costs and media suppliers) are excluded from revenue and recorded as work in progress until billed. The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal (such as in-house production services, events, data investment management and branding), the revenue recorded is the gross amount billed. Billings related to out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

Further details on revenue recognition are detailed by sector below:

Advertising and media investment management

Revenue is typically derived from media placements and advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client. Revenue for commissions on purchased media is typically recognised at the point in time the media is run.

The Group receives prompt payment discounts from certain suppliers for transactions entered into on behalf of clients that, based on the terms of the relevant contracts and local law, are either remitted to clients or retained by the Group. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Variable incentive-based revenue typically comprises both quantitative and qualitative elements. Incentive compensation is estimated using the most likely amount and is included in revenue up to the amount that is highly probable not to result in a significant reversal of cumulative revenue recognised. The Group recognises incentive revenue as the related performance obligation is satisfied.

Data investment management

Revenue for market research services is typically recognised over time based on input measures. For certain performance obligations, output measures such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract are used to measure progress.

While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Revenue recognition (Continued)

Data investment management (Continued)

recognised when the product is delivered. When the terms of the transaction provide for licensing the right to access a product on a subscription basis, revenue is recognised over the subscription period, typically on a straight-line basis.

Public relations & public affairs and brand consulting, health & wellness and specialist communications

Revenue for these services is typically derived from retainer fees and fees for services to be performed subject to specific agreement. Most revenue under these arrangements is earned over time, in accordance with the terms of the contractual arrangement.

Dividend and interest income

Dividend income from investments is recognised when the group's right to receive payment as a shareholder 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.

4.4. 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.

4.5. Equipment

4.5.1. Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset, other costs directly attributable to bringing the assets to a working condition for their intended use and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Any gain or loss on disposal of an item of equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

4.5.2. Depreciation

Items of equipment are depreciated from the date the asset is available for use. Depreciation is calculated to write off the cost of items of equipment less their estimated residual value using the written down basis over their estimated useful lives at rates as follows:

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

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted if appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Equipment (Continued)

4.5.3. Impairment

The Group assesses the carrying value of its equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its carrying value. Also refer note 4.10

4.6. Taxation

Income tax expense represents the sum of the tax currently payable and net deferred tax charge for the year.

4.6.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.6.2. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.6.3. Current and Deferred Tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination. Also refer note 4.1.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7. Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use asset is depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use asset is presented as a separate line in the statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases (Continued)

The Group as a lessee (Continued)

The right-of-use asset is presented as a separate line in the statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Operating expenses' in the statement of the profit or loss.

4.8. Foreign currencies

The Group's consolidated financial statements are presented in Kenya Shillings, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

4.8.1. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4.8.2. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4.9. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

The Group classifies financial instruments into three categories as described below.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(ii) De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

(ii) De-recognition (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(iii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.10. Impairment

(i) Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for its Trade receivables and Bank balances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other assets include cash and bank balances and deposits which the Group uses counter party external rating equivalent both to determine whether the financial asset has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Impairment (Continued)

(ii) Non-financial assets (Continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.11. Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 11) in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial liabilities (Continued)

However, for financial liabilities that are designated as at FVTPL, 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. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4.12. Employee benefits

4.12.1. Retirement benefits costs and termination benefits

The Group in Kenya and Zambia has engaged a third party retirement benefit service provider to provide retirement benefits to its eligible employees. The benefit plans are "Defined Contribution Plans". Payments to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions. The assets of the scheme are held in a trustee administered fund separate from the retirement benefit service providers.

The Group also contributes to the statutory defined contribution pension schemes, the National Social Security Fund of Kenya, Tanzania, Uganda and Zambia. In Nigeria, Ghana and Rwanda the Group contributes to regional pension funds administered by equivalent government regulatory bodies. Employer's contribution is determined by local statutes.

The Group's obligations to retirement benefit schemes are recognised in the profit or loss as they fall due.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

4.12.2. Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13. 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. 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.

The Group formed a Trust which is independent of the Company to facilitate purchase of its shares to fund the above liability. From time to time the Group funds purchase of its shares by the trust. The costs are recognised as pre-payments. When shares granted under the Employee Share Option plan vest shares held in the trust are transferred to the employee. To the extent of transferred shares, employee benefits reserve is off set against the pre-payments.

4.14. Non-current assets held for sale

Disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

4.15. Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

5. Application of new and revised International Financial Reporting Standards (IFRSs)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2019

The following new and revised IFRSs were effective in the current year.

Impact of initial adoption of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2019 (Continued)

Impact of initial adoption of IFRS 16 Leases (Continued)

The Group has applied IFRS 16 using the cumulative catch-up transition method, without restating the comparative information. The Group has recognized lease liabilities at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group has, on a lease-by-lease basis, measured the right-of-use asset at its carrying and discounted using the Group's incremental borrowing rate at the date of initial application.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out a review of all the lease contracts. The review has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use asset and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's financial statements.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2019 (Continued)

Impact of initial adoption of IFRS 16 Leases (Continued)

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The Group is not a lessor in any lease arrangement therefore there is no impact on lessor accounting.

(d) Financial impact of the initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognized in the statement of financial position on 1 January 2019 is 8%.

	GROUP 2019 KSh'000	COMPANY 2019 KSh'000
Impact on profit or loss		
Increase in depreciation of right-of-use asset	69,281	24,925
Increase in finance cost	22,441	11,208
Decrease in rent expense	(67,938)	(31,457)
Decrease in profit for the year	**23,784**	**4,676**

Impact on assets, liabilities and equity as at 1 January 2019

	GROUP IFRS 16 adjustments KSh'000	COMPANY IFRS 16 adjustments KSh'000
Right-of-use asset	273,934	146,601
Lease liabilities	287,587	150,409
Retained earnings	**20,246**	**4,480**

For tax purposes, the depreciation expense and finance cost in respect of the right-of-use assets and lease liabilities respectively have not been treated as tax allowable deductions. Under IFRS 16, lessees must present cash payments for the principal portion for a lease liability, as part of financing activities. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by KShs. 22.44million (2018: KShs. Nil).

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2019 (Continued)

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (Continued)

The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long term interests required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a Group; and

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments (Continued)

- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The Directors have assessed the impact of the application of IFRIC 23 on the Group's financial statements and concluded that the impact is not significant.

(ii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2019

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and in some cases had not yet been adopted by the:

New and Amendments to standards	*Effective for annual periods beginning on or after*
Amendments to IAS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Yet to be set, however earlier application permitted
Amendments to IFRS 3 *Definition of a business*	1 January 2020, with earlier application permitted
Amendments to IAS 1 and IAS 8- *Definition of material*	1 January 2020, with earlier application permitted
Conceptual Framework: *Amendments to References to the Conceptual Framework in IFRS standards*	1 January 2020, with earlier application permitted

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transactions arise.

The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

Amendments to IFRS 3 *Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

5. Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2019 (Continued)

Amendments to IFRS 3 *Definition of a business* (Continued)

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the* Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

(iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2019.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 judgements 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 judgement in applying the Group's accounting policies are dealt with below:

a. Critical judgements in applying accounting policies

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its goodwill to determine whether there is any indication of 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.

b. 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 the 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to 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. Refer to Note 20 for detailed assumptions.

7. Billings

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

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Kenya (including export sales)	6,969,108	8,960,926	1,558,808	1,624,741
Rest of Africa				
Uganda	448,569	540,529	–	–
Tanzania	416,496	762,707	–	–
South Africa	167,051	147,433	–	–
Ghana	919,289	1,555,797	–	–
Nigeria	100,592	740,668	–	–
Others	261,223	1,113,730	–	–
	9,282,328	**13,821,790**	**1,558,808**	**1,624,741**

Billings reported above for 2019 are related to continuing operations only.

8. INTEREST INCOME NET OF INTEREST EXPENSE

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Interest on deposits	174,381	301,580	122,962	249,844
Other interest	10,822	3,554	26,656	381
	185,203	**305,134**	**149,618**	**250,225**
Interest expense	(261)	(14,030)	(220)	(633)
Interest on lease liabilities	(19,322)	–	(11,208)	–
	165,620	**291,104**	**138,190**	**249,592**

9. OTHER INCOME

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Profit on disposal of assets	134	7,297	–	1,861
Cash discount	13,855	18,682	3,779	5,706
Dividend income from subsidiaries	–	–	589,660	200,000
Miscellaneous income	16,912	5,580	16,585	–
	30,901	**31,559**	**610,024**	**207,567**

10. Profit before tax

The profit before tax is arrived at after charging:

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Staff costs				
– Salaries and wages	1,837,477	2,318,193	413,908	410,398
– Social security	70,311	118,469	11,402	11,502
– Medical expenses	63,512	80,332	19,657	15,322
– Leave pay	19,190	30,356	1,522	15,166
– Other staff costs	85,137	213,296	60,385	36,299
	2,075,627	**2,760,646**	**506,874**	**488,687**
Auditors' remuneration	21,059	32,942	2,585	2,585
Directors' remuneration				
non-executive directors' fees	8,381	5,210	3,400	2,167
non- executive directors' emoluments	4,300	720	4,300	720
executive directors' emoluments	**99,355**	**76,378**	**99,355**	**76,378**

11. Taxation

11.1. Tax expense

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Current taxation based on the adjusted profit				
For companies at 30%	153,607	348,361	44,885	75,068
For companies charged at different rates	50,413	48,633	–	–
Prior year under provision	254	10,629	–	–
	204,274	**407,623**	**44,885**	**75,068**
Deferred tax				
- current year credit (Note 19)	(89,283)	(64,363)	(22,003)	(44,517)
- prior year under provision	16,899	4,419	–	–
	(72,384)	**(59,944)**	**(22,003)**	**(44,517)**
	131,890	**347,679**	**22,882**	**30,551**

11.2. Reconciliation of expected tax based on accounting profit to tax expense

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Accounting profit before taxation (for continuing operations)	290,682	959,888	653,201	289,102
Tax at the applicable rate of 30%	87,205	287,966	195,960	86,731
Effect of expenses not deductible for tax purposes	40,571	58,152	8,364	3,820
Effect of companies charged at different rates	(16,079)	(16,719)	–	–
Effect of income not taxable	–	–	(181,442)	(60,000)
Tax paid on intercompany dividend income	3,040	3,232	–	–
Prior years under provision-deferred tax	16,899	4,419	–	–
Prior years under provision-income tax	254	10,629	–	–
	131,890	**347,679**	**22,882**	**30,551**

11.3. Movement in net of tax recoverable and tax payable

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
At beginning of year	637,170	534,445	21,522	31,357
On acquisition of subsidiaries	–	147,722	–	–
Tax paid	634,571	363,822	73,879	65,233
Charge for the year on continued operations	(204,274)	(407,623)	(44,885)	(75,068)
Tax on discontinued operations	(206,589)	–	–	–
Reclassified as held for sale	(199,645)	–	–	–
Effect of exchange rate difference	(13,591)	(1,196)	–	–
At the end of the year	**647,642**	**637,170**	**50,516**	**21,522**
Breakup of net tax recoverable				
Tax recoverable	735,455	841,726	50,516	21,522
Tax payable	(87,813)	(204,556)	–	–
	647,642	**637,170**	**50,516**	**21,522**

12. SEGMENTAL REPORTING

Substantially, all of the Group's revenue is from contracts with customers. The Group is organised into two reportable segments based on geographical region – Kenya and Rest of Africa & United Kingdom.

IFRS 8 Operating Segments requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Chief Executive Officer. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 permits the aggregation of these components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the Directors have had regard to the billings contribution per region.

The market research operation was discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 24.

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2019:

All figures in KSh'000

Income statement	Segment billings	Segment profit	Share of profit of assciates	Interest income (net of expense)	Other gain and losses	Profit before tax	Profit before tax from discontinued operations	Profit after tax and discontinued operations
2019								
Kenya	6,969,108	15,318	(5,616)	147,770	11,189	168,661	213,388	132,853
Rest of Africa and UK	2,313,220	115,228	3,394	17,850	(14,451)	122,021	331,093	358,556
	9,282,328	**130,546**	**(2,222)**	**165,620**	**(3,262)**	**290,682**	**544,481**	**491,409**
2018								
Kenya	7,999,925	(69,460)	(6,921)	252,663	(20,438)	155,844	91,511	137,644
Rest of Africa and UK	3,448,576	198,580	32,052	27,859	467	258,958	453,575	474,565
	11,448,501	**129,120**	**25,131**	**280,522**	**(19,971)**	**414,802**	**545,086**	**612,209**

All figures in KSh'000

Segment assets	**2019**	**2018**
Kenya	6,706,339	8,760,758
Rest of Africa	1,971,585	2,170,456
	8,677,924	**10,931,214**
Assets relating to discountinued operations	4,125,249	3,493,984
Consolidated assets	**12,803,173**	**14,425,198**

Other segment information	**Depreciation and amortisation**		**Additions to non-current assets**	
	2019	**2018**	**2019**	**2018**
Kenya	72,498	48,736	150,341	6,308
Rest of Africa	33,889	26,263	3,494	11,100
	106,387	**74,999**	**153,835**	**17,408**

13. EARNINGS PER SHARE

13.1. 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:

	CONSOLIDATED		COMPANY	
	2019	**2018**	**2019**	**2018**
From continuing and discontinued operations				
Profit attributable to shareholders of the holding company (KSh'000)	431,971	554,481	630,319	258,551
Weighted average number of shares (in thousands)	432,156	405,511	432,156	405,511
Basic earnings per share (KSh)	1.00	1.37	1.46	0.64
From continuing operations				
Profit attributable to shareholders of the holding company (KSh'000)	145,903	224,828	630,319	258,551
Weighted average number of shares (in thousands)	432,156	405,511	432,156	405,511
Basic earnings per share (KSh)	0.34	0.55	1.46	0.64
From discontinued operations				
Profit attributable to shareholders of the holding company (KSh'000)	286,068	329,653		
Weighted average number of shares (in thousands)	432,156	405,511		
Basic earnings per share (KSh)	0.66	0.81		

13.2. 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. As at 31 December 2019 and 31 December 2018 no such instruments were outstanding. Hence Diluted earnings per share is same as Basic earnings per share presented in Note 13.1.

14. EQUIPMENT

14.1. Equipment – Group

All figures in KSh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2018	618,460	94,348	435,415	1,148,223
Addition on acquisition of subsidiaries	341,533	43,919	163,633	549,085
Additions	41,913	2,805	26,426	71,144
Disposals	(8,289)	(13,244)	(17,598)	(39,131)
Exchange rate adjustment *	(6,362)	(2,159)	(9,491)	(18,012)
At 31 December 2018	**987,255**	**125,669**	**598,385**	**1,711,309**
At 1 January 2019	987,255	125,669	598,385	1,711,309
Additions	85,942	9,594	68,520	164,056
Disposals	(27,468)	(20,057)	(40,103)	(87,628)
Reclassified as held for sale	(484,930)	(43,991)	(256,575)	(785,496)
Exchange rate adjustment *	(9,548)	(3,352)	(11,037)	(23,937)
At 31 December 2019	**551,251**	**67,863**	**359,190**	**978,304**
DEPRECIATION				
At 1 January 2018	502,821	58,195	247,021	808,037
Depreciation on acquisition of subsidiaries	287,334	38,751	133,682	459,767
Charge for the year	63,463	11,650	44,033	119,146
Elimination on disposals	(5,292)	(9,279)	(10,265)	(24,836)
Exchange rate adjustment *	(5,519)	(1,255)	(5,644)	(12,418)
At 31 December 2018	**842,807**	**98,062**	**408,827**	**1,349,696**
At 1 January 2019	842,807	98,062	408,827	1,349,696
Charge for the year	78,491	8,746	41,412	128,649
Elimination on disposals	(23,032)	(19,203)	(32,348)	(74,583)
On assets reclassified as held for sale	(400,865)	(39,436)	(175,354)	(615,655)
Exchange rate adjustment *	(8,688)	(2,404)	(8,255)	(19,347)
At 31 December 2019	**488,713**	**45,765**	**234,282**	**768,760**
NET BOOK VALUE				
At 31 December 2019	**62,538**	**22,098**	**124,908**	**209,544**
At 31 December 2018	**144,448**	**27,607**	**189,558**	**361,613**

*Exchange rate adjustments relate to effect of translation of opening balances of equipment held in foreign subsidiaries.

At 31 December 2019, equipment with a cost of KShs. 150,689,000 (2018 – KShs. 186,042,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been KShs. 37,663,000 (2018 – KShs. 48,039,000).

14.2. Equipment – Company

All figures in KSh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2018	301,492	40,809	82,654	424,955
Additions	2,177	1,450	89	3,716
Disposals	(832)	(4,313)	–	(5,145)
At 31 December 2018	**302,837**	**37,946**	**82,743**	**423,526**
At 1 January 2019	302,837	37,946	82,743	423,526
Additions	2,797	6,815	2,110	11,722
Disposals	(489)	–	(1,106)	(1,595)
At 31 December 2019	**305,145**	**44,761**	**83,747**	**433,653**
DEPRECIATION				
At 1 January 2018	240,342	23,728	35,720	299,790
Charge for the year	18,605	4,501	5,798	28,904
Elimination on disposals	(616)	(3,624)	(17)	(4,257)
At 31 December 2018	**258,331**	**24,605**	**41,501**	**324,437**
At 1 January 2019	258,331	24,605	41,501	324,437
Charge for the year	13,910	3,613	5,228	22,751
Elimination on disposals	(330)	–	(641)	(971)
At 31 December 2019	**271,911**	**28,218**	**46,088**	**346,217**
NET BOOK VALUE				
At 31 December 2019	**33,234**	**16,543**	**37,659**	**87,436**
At 31 December 2018	**44,506**	**13,341**	**41,242**	**99,089**

At 31 December 2019, equipment with a cost of KShs. 33,777,000 (2018 – KShs. 32,880,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been KShs. 9,471,000 (2018 – KShs. 9,202,000).

15. RIGHT-OF-USE ASSETS

The Group and Company leases office space for its use. Information about the leases in which the Group and Company is a lessee is presented below:

	Buildings			
All figures in KSh'000	**CONSOLIDATED**		**COMPANY**	
COST	**2019**	**2018**	**2019**	**2018**
31 December 2019				
At 1 January as previously reported	–	–	–	–
Day one adjustment on adoption of IFRS 16	318,914	–	165,564	–
At 1 January 2019 – restated	**318,914**	**–**	**165,564**	**–**
Additions/lease asset recognized	126,829	–	5,170	–
Reclassified as held for sale	(41,011)	–	–	–
Exchange rate adjustment	(2,945)	–	–	–
At 31 December 2019	**401,787**	**–**	**170,734**	**–**
DEPRECIATION				
31 December 2019				
At 1 January as previously reported	–	–	–	–
Day one adjustment on adoption of IFRS 16	44,980	–	18,963	–
At 1 January 2019 – restated	**44,980**	**–**	**18,963**	**–**
Charge for the year	69,281	–	24,925	–
On assets reclassified as held for sale	(19,752)			
Exchange rate adjustment *	(163)	–	–	–
At 31 December 2019	**94,346**	**–**	**43,888**	**–**
NET BOOK VALUE				
At 31 December 2019	**307,441**	**–**	**126,846**	**–**

*Exchange rate adjustments relate to effect of translation of opening balances of equipment held in foreign subsidiaries.

16. INVESTMENT IN SUBSIDIARIES AT COST

	2019		2018	
	%	KSh'000	%	KSh'000
Ogilvy Kenya Limited	100%	1,866,659	100%	1,866,659
Millward Brown East Africa Limited	100%	–	100%	1,693,569
Ogilvy Africa Limited	100%	1,494,001	100%	1,494,001
Research and Marketing Group Investment Limited *	80%	–	80%	1,120,245
O&M Africa B.V.	100%	671,911	100%	671,911
Scangroup Mauritius Holding Limited	100%	209,934	100%	209,934
Hill & Knowlton East Africa Limited	100%	245,123	100%	245,123
Ogilvy Tanzania Limited	100%	135,912	100%	135,912
Squad Digital Limited	75.5%	119,962	75.5%	119,962
GroupM Africa Limited	100%	84,542	100%	84,542
Scanad Kenya Limited	100%	40,000	100%	40,000
Scanad East Africa Limited	100%	31,500	100%	31,500
Scanad Africa Limited	100%	15,000	100%	15,000
Scangroup (Mauritius) Limited	100%	10,006	100%	10,006
J.Walter Thompson Kenya Limited	90%	18,000	90%	18,000
MEC Africa Limited	100%	550	100%	550
Media Compete East Africa Limited	100%	40	100%	40
Grey East Africa Limited	100%	40	100%	40
		4,943,180		**7,756,994**

Movement in investment in subsidiaries

All figures in KSh'000	2019	2018
At the beginning of year	7,756,994	6,646,821
Acquisitions during the year	–	1,120,245
Reduction due to refund	–	(10,072)
Reclassified as held for sale (Note 24)	(2,813,814)	–
At the end of the year	**4,943,180**	**7,756,994**

* On 1 July 2018, the company issued 53,290,883 new shares to Russell Square Holdings B.V. for KShs. 926.64million at KShs. 17.388 each as consideration for 70% equity shares of Research and Marketing Group Investment Limited purchased from Russell Square Holdings B.V. A further KShs. 193 million was paid to International Research and Marketing Group Holdings Limited for acquiring additional 10% shareholding in Research and Marketing Group Investment Limited. Due to 80% holdings in Research and Marketing Group Investment Limited, the Group acquired control. Research and Marketing Group Investment Limited was acquired so as to continue expansion of the Group's activities on research and marketing.

16. INVESTMENT IN SUBSIDIARIES AT COST (CONTINUED)

Research and Marketing Group Investment Limited is the holding company of the following companies:

	Shareholding %
TNS RMS East Africa Limited	100%
TNS RMS Nigeria Limited	100%
TNS RMS International (GH) Limited	100%
TNS RMS Cote D'Ivoire Sarl	100%
TNS RMS Cameroon Limited	100%
TNS RMS Senegal SA	100%
TNS RMS UK Limited	100%

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

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

Scangroup Mauritius Holding Limited is the holding company of other subsidiaries incorporated outside Kenya as follows:

	Shareholding %
STE Scanad DRC	100%
Scanad Burundi Limited SPRL	100%
Scanad Rwanda Limited	100%
JWT Uganda Limited	100%
Scangroup (Malawi) Limited	100%
Scangroup (Zambia) Limited	100%
Scangroup Mozambique Limitada	100%

Hill & Knowlton East Africa Limited, (a wholly owned subsidiary of WPP Scangroup Plc) holds 51% equity shares in Hill + Knowlton Strategies South Africa Pty Limited.

16. INVESTMENT IN SUBSIDIARIES AT COST (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

	Squad Digital Limited		J W Thompson Kenya Limited	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
As at 31 December				
Assets	**907,487**	**311,898**	**490,210**	**197,832**
Liabilities	**847,332**	**193,579**	**304,795**	**29,108**
Equity attributable to the owners of the company	**45,417**	**89,331**	**166,874**	**151,852**
Non-controlling interest	**24.5%**	**24.5%**	**10%**	**10%**
Billings	**582,796**	**562,117**	**226,634**	**376,737**
Expenses	(667,141)	(583,604)	(202,031)	(354,370)
Profit / (loss) before tax for the year	**(84,345)**	**(21,487)**	**24,603**	**22,367**
Profit / (loss) attributable to the owners of the company	(43,913)	(12,945)	15,022	13,699
Profit / (loss) attributable to non-controlling interest	(14,250)	(4,201)	1,669	1,522
Profit / (loss) after tax for the year	**(58,163)**	**(17,146)**	**16,691**	**15,221**
Net cash inflow / (outflow) from operating activities	8,659	4,712	17,238	1,091
Net cash inflow / (outflow) from investing activities	(4,037)	246	261	61
Net cash outflow from financing activities	(5)	(8)	(2)	(4)
Net cash inflow / (outflow)	**4,617**	**4,950**	**17,497**	**1,148**

Research and Marketing Group Investment Limited

All figures in KSh'000	**2019**	**2018**
As at 31 December		
Assets	2,246,816	2,158,330
Liabilities	1,964,571	2,093,994
Equity attributable to the owners of the company	225,796	51,469
Non-controlling interest	20%	20%
		Six months
Billings	2,990,735	1,515,931
Expenses	(2,600,490)	(1,251,988)
Profit before tax for the year	**390,245**	**263,943**
Profit attributable to the owners of the company	186,195	144,264
Profit attributable to non-controlling interest	46,549	36,066
Profit after tax for the year	**232,744**	**180,330**

17. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS

As at 31 December 2019 O&M Africa B.V. a 100% subsidiary of WPP Scangroup Plc owned equity shares in following companies:

Associate Companies	Country	% shares
Ogilvy & Mather Advertising Namibia (Proprietary) Limited	Namibia	30.0%
Ogilvy Zimbabwe (Private) Limited	Zimbabwe	25.0%
Ocean Ogilvy Gabon	Gabon	25.0%
Ocean Central Africa	Cameroon	25.0%
Ocean Burkina Faso	Burkina Faso	25.0%
Ocean Afrique Occidentale	Senegal	25.0%
Ocean Conseil	Cote d'Ivoire	25.0%

The associate companies are accounted for using the equity method in these consolidated financial statements. The Group does not recognise some of them as material. Accordingly additional disclosure as required by IFRS 12 have not been made. Profits of some of the associate companies have not been included in the consolidated profit or loss because of considerations of the requirements of IFRS 9 and IAS 36 on impairment. Recognition of profits from the associate companies would cause their carrying amounts to be less than the recoverable amounts which would trigger impairment losses to be recognised as part of the carrying amount of the investments in associates.

The movement in investment in associate companies is as follows:

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
At the beginning of year	197,781	4,541	166,555	–
Investment during the year (Note 17)	–	173,476	–	173,476
Share of (loss) / profit in associates	(2,222)	25,131	(5,616)	(6,921)
Impairment of investment in associates	–	(2,461)	–	–
Exchange rate adjustment	812	(2,906)	–	–
At the end of the year	**196,371**	**197,781**	**160,939**	**166,555**

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.

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2019	2018	2019	2018
Balances recoverable from related parties				
Due after one year				
Loans recoverable from various related companies *	409,644	314,256	495,251	414,189
	409,644	**314,256**	**495,251**	**414,189**
Due within one year				
Current receivables from various subsidiaries	–	–	1,396,266	1,058,993
Current receivables from fellow subsidiaries	86,030	263,300	–	–
	86,030	**263,300**	**1,396,266**	**1,058,993**
Loan payable to a related party				
Russell Square Holding B.V. **	–	502,106	–	–
Balances payable to related parties				
Various subsidiaries	–	–	685,564	909,034
Current payables to fellow subsidiaries	31,578	540,104	–	–
Transactions with related parties				
Sale of services	476,352	414,298	758,189	578,439
Purchase of services	108,413	43,405	325,423	75,023
Remuneration of directors and key management compensation	112,036	82,308	107,055	79,265
Directors' remuneration – Executive directors' emoluments (included in key management compensation above)	99,355	76,378	99,355	76,378

* The long term loan recoverable is from First Primus West Africa Limited KShs. 409.64million. It is denominated in Nigeria Naira (NGN) and the equivalent amount at the end of the year 2019 is NGN 1,474.60million. This include a loan provided during the year of NGN 354.60million. It is secured by first priority floating charge over the borrower's properties and attracted interest at 1% per annum.

Included in the company statement of financial position is a long term loan recoverable from a subsidiary, Scanad Tanzania Limited of KShs. 85,607,000 (2018: KShs. 99,933,000). It is denominated in Tanzania Shillings and US Dollars and attracts interest at the rate of 10% p.a. on Tanzania Shillings loan and Libor rate on US Dollars loan. Based on agreement between the two parties, the loan is not re-payable within the next 12 months.

** The long term loan of KShs. 499,424,000 (KShs. 502,106,000) is payable to Russell Square Holding B.V. and attracts interest at the rate of 3% p.a. It is denominated in USD and was advanced to a subsidiary, International Research and Marketing Group Holdings Limited. Based on agreement between the two parties, the loan is not re-payable within the next 12 months. This has been reclassified to assets held for sale as per IFRS 5 (Note 24).

19. DEFERRED TAX

Deferred income taxes are calculated on all temporary differences under the liability method using the currently enacted tax rates applicable for the various entities within the Group ranging from 3% to 30%. The net deferred tax asset is attributable to the following items:

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
(Accelerated capital allowances) / excess depreciation	533	9,565	(3,903)	(3,100)
Unrealised exchange losses	12,973	4,691	2,471	3,030
Tax losses carried forward	414,618	385,683	247,644	229,812
Provisions	203,234	316,771	17,304	11,771
	631,358	**716,710**	**263,516**	**241,513**
Movement in deferred tax account is as follows				
At beginning of period – asset	716,710	373,371	241,513	196,734
IFRS 9 day 1 transition adjustment	–	164,987	–	262
On acquisition of subsidiaries	–	124,879	–	–
Credit for the year	89,283	64,363	22,003	44,517
Charge on discontinued operations	(5,275)	–	–	–
Prior year (over) / under provision	(16,899)	(4,419)	–	–
Reclassified as held for sale	(149,920)	–	–	–
Effect of exchange rates	(2,541)	(6,471)	–	–
At end of period – asset	**631,358**	**716,710**	**263,516**	**241,513**
Breakup of deferred tax asset and liability				
Deferred tax asset	631,392	719,684	263,516	241,513
Deferred tax liability	(34)	(2,974)	–	–
	631,358	**716,710**	**263,516**	**241,513**

A deferred taxation asset has been recognized on accumulated tax losses of KShs. 1,380,368,000 (2018: KShs. 1,314,197,000) as the directors are confident that the group will have future taxable profits against which the unused tax losses can be utilized based on the Group's and company's budgets and forecasts. Tax losses of KShs. 1,024 million can be carried forward up to 10 years and the balance is held in jurisdiction where these can be carried forward indefinitely.

20. GOODWILL

Goodwill represents consideration paid in excess of fair value of net assets acquired. The following table contains the breakdown of the total value by entities to which goodwill relates.

All figures in KSh'000	**2019**	**2018**
Cost and carrying value as at the end of		
Millward Brown East Africa Limited	–	1,251,875
O&M Africa B.V.	152,929	152,929
GroupM Africa Limited	83,548	83,548
Ogilvy Kenya Limited	79,194	79,194
Hill+Knowlton Strategies (South Africa) Pty Ltd	23,367	23,367
Total	**339,038**	**1,590,913**

20. GOODWILL (Continued)

In accordance with the Group's accounting policy, the carrying values of goodwill are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The goodwill impairment review is undertaken annually on 31 December. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate and no assumed improvement in operating margin. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

Under IFRS, an impairment charge is required for goodwill when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in changes to the level of testing in future periods.

As per IAS 36, management have made the judgement that the selling price is the best estimate to determine the recoverability amount of a unit. For Millward Brown, the goodwill assessment has been based on an agreed selling price of the cash generating unit. However this has been reclassified to assets held for sale as per IFRS 5.

Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

During the year no impairment loss (2018: KShs. 21.32million) has been recognised in the group's financial statements. Changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised and a reasonably possible change in assumptions would not lead to a significant impairment. The carrying value of goodwill will continue to be reviewed at least annually for impairment and adjusted to the recoverable amount if required.

21. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Trade receivables	3,406,894	5,378,020	292,812	192,710
Less: Provision for bad and doubtful debts	(568,439)	(560,786)	(647)	(12,187)
	2,838,455	**4,817,234**	**292,165**	**180,523**
Value Added Tax recoverable	569,126	501,505	83,226	60,273
Staff recoverable	4,674	7,967	3,332	3,818
Other receivables and pre-payments	206,610	310,510	78,218	66,554
	3,618,865	**5,637,216**	**456,941**	**311,168**
Movement in allowance for doubtful debts				
Balance at the beginning of the year	560,786	48,958	12,187	4,370
IFRS 9 day 1 transition adjustment	–	552,023	–	872
Acquisition of subsidiaries	–	7,785	–	–
Provision for bad debts for the year	127,200	(10,910)	(10,959)	6,946
Amounts written off during the year as uncollectible	(55,832)	(27,305)	(581)	
Reversal of provision for bad debts	(30,918)	–	–	–
Reclassified as held for sale	(21,643)	–	–	–
Effect of exchange rate movements	(11,154)	(9,765)	–	–
Balance at the end of the year	**568,439**	**560,786**	**647**	**12,187**

22. WORK-IN-PROGRESS

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Work-in-progress	**10,431**	**73,960**	**801**	**3,849**

Work in progress relates to direct recoverable costs chargeable to clients not yet billed at the end of the reporting period.

23. CASH, BANK AND DEPOSIT BALANCES

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Cash in hand	1,815	4,597	1,222	1,789
Bank balances	925,105	1,419,476	78,566	102,411
Short term deposits				
– Fixed deposits with banks	507,646	2,473,975	404,883	2,302,488
– Call deposits with banks	689,576	492,694	377,958	190,448
	2,124,142	**4,390,742**	**862,629**	**2,597,136**
Bank overdrafts (Note 29)	(198)	(12,922)	(96)	–
Cash and cash equivalents	**2,123,944**	**4,377,820**	**862,533**	**2,597,136**
Accrued interest on fixed deposits	9,769	46,929	8,268	46,665
	2,133,713	**4,424,749**	**870,801**	**2,643,801**

The deposits mature within 2 months after the year end. The effective interest on the fixed deposits for the year ended 31 December 2019 was 8.59% (2018: 9.56%) while the effective interest rate on the call deposits was 7.32% (2018: 6.67%). The table below shows the analysis of short term deposits by currency:

	2019			2018		
	Amounts equivalent to KSh'000			Amounts equivalent to KSh'000		
Currency	**Fixed deposits**	**Call deposits**	**Total**	**Fixed deposits**	**Call deposits**	**Total**
Kenya Shilling	300,000	377,958	677,958	2,302,488	190,480	2,492,968
United States Dollar	104,883	–	104,883	100	–	100
Ghanaian Cedi	101,290	–	101,290	20,828	–	20,828
South African Rand	–	297,768	297,768	–	302,210	302,210
Ugandan Shilling	–	13,850	13,850	–	4	4
Malawian Kwacha	1,473	–	1,473	1,442	–	1,442
Nigerian Naira	–	–	–	149,117	–	149,117
	507,646	**689,576**	**1,197,222**	**2,473,975**	**492,694**	**2,966,669**

24. DISCONTINUED OPERATIONS

WPP Plc, WPP Scangroup Plc's majority shareholder, has entered into an agreement to sell 60% of its shareholding in Kantar, its global data, research, consulting and analytics business to Bain Capital Private Equity ("the sale"). As a result, WPP Scangroup Plc is to sell its 80% stake in TNS and 100% stake in Millward Brown.

WPP Scangroup Plc confirms that the Sale triggers certain "drag and tax rights" in respect of its Kantar business in Africa under existing arrangements in place with WPP Plc. However, the terms of the agreement have been concluded upon by both parties, pending regulatory and shareholder approval of the transaction.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

All figures in KSh'000	**2019**	**2018**
Billings	3,298,158	2,373,289
Direct costs	(1,099,281)	(896,894)
Revenue	**2,198,877**	**1,476,395**
Interest expense	(3,566)	10,582
Other income	1,956	2,430
Operating and administrative expenses	(1,661,993)	(964,481)
Foreign exchange gain	9,207	20,160
Profit before tax	**544,481**	**545,086**
Tax charge	(211,864)	(179,367)
Profit for the year	**332,617**	**365,719**

24. DISCONTINUED OPERATIONS (continued)

The disposal of Kantar's business is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to substantially exceed the carrying amount of the related net assets and investment cost in subsidiaries and accordingly no impairment losses have been recognised on the classification of these operations as held for sale. The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

Group

All figures in KSh'000	2019
Equipment	169,841
Right-of-use assets	21,259
Goodwill	1,251,875
Deferred tax asset	154,678
Trade and other receivables	1,038,017
Receivable from related parties	270,879
Tax recoverable	222,381
Cash, bank and deposit balances	996,319
Total asset classified as held for sale	**4,125,249**
Deferred tax liability	4,758
Lease liabilities	29,140
Loan payable to a related party	499,424
Trade and other payables	829,484
Tax payable	22,736
Payable to related parties	714,542
Total liabilities associated with assets classified as held for sale	**2,100,084**
Net asset of disposal group	**2,025,165**

Company

All figures in KSh'000	2019
Investment in subsidiaries	2,813,814

25. SHARE CAPITAL

All figures in KSh'000	2019	2018
Authorised share capital:		
Ordinary shares 500,000,000 (2018: 500,000,000) of KShs. 1 each	500,000	500,000
Issued and fully paid up shares		
Ordinary shares 432,155,985 (2018: 432,155,985) of KShs. 1 each	432,156	432,156

26. LEASE LIABILITES

	Buildings			
	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Analysed as:				
Non – Current	255,441	–	111,174	–
Current	61,330	–	23,993	–
At 31 December 2019	**316,771**	**–**	**135,167**	**–**
The movement in the lease liabilities is as follows:				
At 1 January as previously reported	–	–	–	–
Adjustment on adoption of IFRS 16	287,587	–	150,409	–
Addition	126,829	–	5,170	–
Payment of lease liabilities	(88,468)	–	(31,620)	–
Interest on lease liabilities	22,441	–	11,208	–
Reclassified as held for sale	(29,140)	–	–	–
Effect of exchange rates *	(2,478)	–	–	–
At 31 December 2019	**316,771**	**–**	**135,167**	**–**
Lease liabilities maturity analysis				
Year 1	61,330	–	23,993	–
Year 2	69,840	–	28,606	–
Year 3	63,498	–	33,797	–
Year 4	67,087	–	39,629	–
Year 5	34,046	–	9,142	–
Year 6	20,970	–	–	–
	316,771	**–**	**135,167**	**–**

*Exchange rate adjustments relate to effect of translation of opening balances of equipment held in foreign subsidiaries.

27. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Trade payables	2,532,487	3,796,135	419,727	319,482
Other payables	425,774	669,874	93,053	73,237
Leave pay provision	60,926	59,786	21,151	20,151
Value Added Tax payable	22,418	146,229	–	–
	3,041,605	**4,672,024**	**533,931**	**412,870**
Movement in leave pay provision				
Balance at the beginning of the year	59,786	42,660	20,151	6,501
Acquisition of subsidiaries	–	13,113	–	–
Provision for leave pay	37,790	34,595	1,522	15,166
Paid during the year	(32,050)	(25,769)	(522)	(1,516)
Reversals of provision for leave pay	(1,605)	(4,136)	–	–
Reclassified as held for sale	(2,605)	–	–	–
Effect of exchange rates	(390)	(677)	–	–
Balance at the end of the year	**60,926**	**59,786**	**21,151**	**20,151**

28. DIVIDENDS PAYABLE

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
At 1 January	14,055	11,629	14,055	11,629
Dividends declared	1,738,064	298,653	1,728,624	284,149
Dividends paid	(1,719,403)	(296,227)	(1,709,963)	(281,723)
At 31 December	**32,716**	**14,055**	**32,716**	**14,055**

Unclaimed dividend amounting to KShs. 2.42million was remitted to Unclaimed Financial Assets Authority during the year (2018: KShs. 2.38million).

29. BANK OVERDRAFTS

The Company has, for and on behalf of all its subsidiaries, availed a general short term banking facility, incorporating overdrafts, letter of credit and / or guarantee of bank facility of KShs. 500million and forward exchange contract facility of USD12million from Stanbic Bank Kenya Limited. The utilisation of these facilities are monitored at a group level. Securities offered for the facilities are as follows:

(i) A Joint and several debenture over all the present and future moveable and immovable assets of WPP Scangroup Plc and all the subsidiaries in Kenya for an amount of KShs. 500million.

(ii) Cross corporate guarantees and indemnities by WPP Scangroup Plc and its subsidiaries in Kenya for an amount of KShs. 500million.

(iii) Right of set-off.

30. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Authorised but not contracted	618	–	618	–
Authorised and contracted	362	14,578	–	2,397
	980	**14,578**	**618**	**2,397**

Capital commitments relates to purchase of IT equipment.

31. CONTINGENT LIABILITIES

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Pending claims	100,630	88,715	181	181
Guarantees	5,863	18,907	4,863	17,757
	106,493	**107,622**	**5,044**	**17,938**

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, based on the legal advice received, the directors' do not expect any significant liability to arise from these pending matters.

32. RISK MANAGEMENT POLICIES

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

32.1. 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 shareholders. As at the year-end the Group's borrowing are not in excess of its cash and cash equivalents. Table below sets out the calculation of gearing ratio.

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Total Equity per statement of Financial Position	7,192,572	8,489,379	10,278,929	11,381,714
Loans payable to a related party	–	502,106	–	–
Less: Cash, bank and deposit balances	2,133,713	4,424,749	870,801	2,643,801
Excess of Cash and cash equivalents over borrowings	(2,133,713)	(3,922,643)	(870,801)	(2,643,801)
Gearing ratio	N/A	N/A	N/A	N/A

32. RISK MANAGEMENT POLICIES (CONTINUED)

32.2. 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.

32.3. Credit risk

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns generally, trade receivables are written-off if past due for more than one year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Group and Company do not have significant concentrations of credit risk on derivative counterparties where transactions are limited to financial institutions possessing high credit quality since the risk of default is low.

The Board of Directors sets the Group's and Company's treasury policies and objectives and lays down parameters within which the various aspects of treasury risk management are operated. The Board has set limits for investing in specified banks and financial institutions and cash surpluses are maintained with credible institutions.

The carrying amount of financial assets represents the maximum exposure to credit risk:

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2019**	**2018**	**2019**	**2018**
Trade receivables	2,838,455	4,817,234	292,165	180,523
Staff recoverable	4,674	7,967	3,332	3,818
Amounts due from related companies	86,030	263,300	1,396,266	1,058,993
Bank balances	925,105	1,419,476	78,566	102,411
Short term deposits	1,206,991	3,013,598	791,109	2,539,601
	5,061,255	**9,521,575**	**2,561,438**	**3,885,346**

In order to minimise credit risk, the Group has tasked its Risk Management Committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Risk Management Committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognizing expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 month Expected Credit Loss (ECL)
Doubtful	Amount is past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

32. RISK MANAGEMENT POLICIES (CONTINUED)

32.3 Credit risk (continued)

The tables below detail the credit quality of the Group's and Company's financial assets as well as the Group's and Company's maximum exposure to credit risk by credit risk rating grades.

Group 2019	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount KSh'000	Loss allowance KSh'000	Net carrying amount KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	3,406,894	(568,439)	2,838,455
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	2,132,096	–	2,132,096
				5,538,990	**(568,439)**	**4,970,551**

2018	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount KSh'000	Loss allowance KSh'000	Net carrying amount KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	5,378,020	(560,786)	4,817,234
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	4,433,074	–	4,433,074
				9,811,094	**(560,786)**	**9,250,308**

Company 2019	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount KSh'000	Loss allowance KSh'000	Net carrying amount KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	292,812	(647)	292,165
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	869,675	–	869,675
				1,162,487	**(647)**	**1,161,840**

2018	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount KSh'000	Loss allowance KSh'000	Net carrying amount KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	192,710	(12,187)	180,523
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	2,642,012	–	2,642,012
				2,834,722	**(12,187)**	**2,822,535**

32. RISK MANAGEMENT POLICIES (CONTINUED)

32.3 Credit risk (continued)

Credit risk profile based on provision matrix

Group 2019	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	0%	0%	0%	1%	2%	60%	17%
Expected Gross Carrying Amount (KSh'000)	657,829	722,663	463,178	480,068	150,952	932,204	3,406,894
Lifetime ECL (KSh'000)	–	–	136	2,777	2,529	562,998	568,439

2018	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	0%	0%	0%	1%	1%	57%	10%
Expected Gross Carrying Amount (KSh'000)	2,246,236	674,178	343,020	404,662	744,437	965,487	5,378,020
Lifetime ECL (KSh'000)	–	–	103	3,669	9,539	547,475	560,786

Company 2019	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	0%	0%	0%	1%	2%	0%	0%
Expected Gross Carrying Amount (KSh'000)	49,305	111,183	68,246	57,565	6,513	–	292,812
Lifetime ECL (KSh'000)	–	–	20	529	98	–	647

2018	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	0%	0%	0%	1%	2%	0%	6%
Expected Gross Carrying Amount (KSh'000)	151,463	21,583	1,060	10,980	7,624	–	192,710
Lifetime ECL (KSh'000)	–	–	–	55	132	12,000	12,187

32. RISK MANAGEMENT POLICIES (CONTINUED)

32.3 Credit risk (continued)

A reconciliation of the impairment loss accounts:

Group	Trade receivables KSh'000	Total KSh'000
31 December 2018		
At 1 January 2018 – as previously reported	48,958	48,958
Adjustment upon application of IFRS 9	552,023	552,023
At 1 January 2019 – restated	600,981	600,981
Increase in loss allowance arising from financial assets recognized in the year	(40,195)	(40,195)
At 31 December 2018 under IFRS 9	**560,786**	**560,786**
31 December 2019		
At 1 January 2019	560,786	560,786
(Increase)/decrease in loss allowance arising from new financial assets (recognised)/derecognised in the year	7,653	7,653
At 31 December 2019 under IFRS 9	**568,439**	**568,439**

Company	Trade receivables KSh'000	Total KSh'000
31 December 2018		
At 1 January 2018 – as previously reported	4,370	4,370
Adjustment upon application of IFRS 9	872	872
At 1 January 2019 – restated	5,242	5,242
Increase in loss allowance arising from financial assets recognized in the year	(6,945)	(6,945)
At 31 December 2018 under IFRS 9	**12,187**	**12,187**
31 December 2019		
At 1 January 2019	12,187	12,187
(Increase)/decrease in loss allowance arising from new financial assets (recognised)/derecognised in the year	11,540	11,540
At 31 December 2019 under IFRS 9	**647**	**647**

The Directors believe that the unimpaired amounts that are past due (more than 30 days in arrears) are still collectible in full based on historical payment behaviour and extensive analysis of customer credit risk. Bank balances and bank deposits are not restricted and include deposits held with banks that have high credit ratings. Bank balances and bank deposits are thus considered investment grade.

32. RISK MANAGEMENT POLICIES (CONTINUED)

32.4. Liquidity risk management

Liquidity risk is the risk that cash may not be available to settle obligations when due, at a reasonable cost. The primary liquidity risk of the Group is its obligation to pay vendors as they fall due. Management has built an appropriate liquidity risk management framework for the Group's short, medium and long-term needs. The Group manages liquidity risk by monitoring forecast and actual cash flows and by maintaining credit facilities from banks. Refer note 29 for details of bank credit facilities the Group has.

The tables below analyses the Group's and Company'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.

For Group:

All figures in KSh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
At 31 December 2019				
Payable to related parties	31,578	–	–	31,578
Bank Overdraft	198	–	–	198
Trade payables	910,538	447,937	1,174,012	2,532,487
	942,314	**447,937**	**1,174,012**	**2,564,263**
At 31 December 2018				
Loans payable to a related party	–	–	502,106	502,106
Payable to related parties	540,104	–	–	540,104
Bank overdraft	12,922	–	–	12,922
Trade payables	1,939,366	938,364	918,405	3,796,135
	2,492,392	**938,364**	**1,420,511**	**4,851,267**

For Company:

All figures in KSh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
At 31 December 2019				
Payable to related parties	685,564	–	–	685,564
Bank Overdraft	96	–	–	96
Trade payables	181,910	71,907	165,910	419,727
	867,570	**71,907**	**165,910**	**1,105,387**
At 31 December 2018				
Payable to related parties	909,034	–	–	909,034
Bank Overdraft	–	–	–	–
Trade payables	35,755	58,436	225,291	319,482
	944,789	**58,436**	**225,291**	**1,228,516**

32. RISK MANAGEMENT POLICIES (CONTINUED)

32.4.1. Interest rate risk

Interest rate risk arises primarily from related party borrowings and partly from bank borrowings. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates. The potential impact of 1% increase or decrease in interest rate on profitability of the company would have been a decrease or increase of KShs. 0.62million (2018: KShs. 0.54million) with a corresponding similar impact on retained earnings.

32.4.2. 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 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 2019, if the average exchange rate for the year was 5% higher or lower, the profit before tax would have increased or decreased by approximately KShs. 22.66million (2018: KShs. 50.03million).

32.4.3. Price risk

Price risk arises from fluctuations in the prices of equity investments. At 31 December 2019 and 31 December 2018, the group did not hold investments that would be subject to price risk; hence this risk is not applicable.

32.4.4. Concentration risk

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties.

32.5. Fair value measurement

The directors considered that the carrying amount of financial assets and financial liabilities recognised in consolidated and company financial statements approximate their fair values. The Group does not have any material assets and liabilities that require measurement at fair value on a recurring basis.

33. DIVIDENDS

The directors has decided to defer the dividend declaration for the financial year 2019 (2018: KShs. 1.00 per share totalling KShs. 432,155,985 based on 432,155,985 shares and a special dividend of KShs. 3.00 per share totalling KShs. 1,296,467,955 based on 432,155,985 shares).

34. EVENTS AFTER THE REPORTING DATE

COVID-19 outbreak, declared a global pandemic by the World Health Organization (WHO) on March 11 2020, will leave no country untouched though its depth and duration of the impact on the global economy, would be difficult to predict. The crisis is unprecedented and all global economic forecasts for the economy are expected to be grim– and there is a risk that the impact could be even worse than currently expected. All indicators point towards first recession in the Sub Saharan Africa region over the past 25 years. The economy is predicted to fall sharply in 2020. We have to brace ourselves and implement cost saving initiatives while working with clients to help them navigate during these critical times. The Coronavirus outbreak will also challenge us and our clients to change our attitude towards doing business and adapting technology in providing business solutions. Digital disruption will continue to be relevant as we move towards a new normal in a post COVID 19 market place.

34. EVENTS AFTER THE REPORTING DATE (continued)

Governments across Sub Saharan Africa have been announcing economic measures to combat COVID-19, with these not significantly impacting the advertising industry. WPP Scangroup Plc is however unable to quantify the impact of these measures announced by the various Governments.

The company recognizes that the ongoing COVID 19 pandemic may have an adverse impact on its business. Given the restrictions in the movement of people, we believe the opportunity will be in technology based marketing automated platforms and applications enabling B2B and B2C enterprise solutions. The company's investment in this area will continue aggressively to make this significant revenue generating business. We will also continue to grow our traditional business by entering into growth areas such as content production.

We also believe the current 'remote working' experience will set up new opportunities on 'flexi working' and use of 'global talent' which should help us reduce costs and offer more robust business solutions to our clients. We have sufficient cash reserves of KShs. 2.1 billion, including an unutilised overdraft facility of KShs. 500 million with Stanbic Bank Kenya Limited, to finance operations for the next financial year. Our major clients are in the Telecommunication and Financial services, and our preliminary assessment is that impact of this sector has been limited.

35. INCORPORATION

The Company is domiciled and incorporated in Kenya as a public limited liability company under the Kenyan Companies Act, 2015. 56.3% shares of the Company are beneficially held by WPP plc, a company incorporated in Jersey. Financial statements of WPP plc are available at www.wpp.com.

WPP Scangroup Plc
P.O. Box 34537 – 00100 GPO,
Nairobi, Kenya

CDSC ACCOUNT NO. ....
SHAREHOLDER No. ....
ID/REGISTRATION No. ....

I/We .... of (address) ....

being a member/members of WPP SCANGROUP PLC hereby appoint:

.... of:

(address) .... TEL. No: ....

or failing him/her: .... of:

(address) .... TEL. No: ....

and failing him/ her the Chairman of the meeting as my/ our proxy to vote for me/ us on my/ our behalf at the 2020 Annual General Meeting to be held on Wednesday 30th September 2020 and at any adjournment thereof.

As witness my/our hand this ....day of 2020

Signature(s) ....

....

A) SCOPE OF REPRESENTATIVE POWER

The scope of representative power should be defined after choosing one of the options (a), (b) or (c) below:

About the agenda items of Annual General Meeting:

a) The Proxy is authorized to vote according to his/her opinion
b) The Proxy is authorized to vote in favor of all proposed resolutions
c) The Proxy is authorized to vote in accordance with the following instructions stated in the table below.

* Delete whichever is not applicable.

Agenda items	**Accept**	**Reject**	**Dissenting Opinion**
ORDINARY BUSINESS:			
3. To receive and, If approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2019, together with the Chairman's, the Directors' and Auditor's Reports thereon.			
4. To ratify the special interim dividend totaling to KShs. 3,457,247,880.00 (on 432,155,985 shares @ 8 per share) declared by the Directors on 6th July 2020 and paid on or before 28th August 2020 and note that the Directors do not recommend the payment of a dividend for the financial year ended 31st December 2019.			
5. Directors: Mr. Richard Omwela retires by rotation in accordance with Article 93 of the Company's Articles of Association and, being eligible, offers himself for re-election.			

* Delete whichever is not applicable.

Agenda items	Accept	Reject	Dissenting Opinion
ORDINARY BUSINESS:			
6. In accordance with the-provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Group Board Audit & Risk Committee be elected to continue to serve as members of the said Committee: Mr. Pratul Shah Mr. Richard Omwela Mr. Jonathan Neil Eggar			
7. To approve the Directors Remuneration			
SPECIAL BUSINESS:			
1. Amendment of the Articles of Association of the Company: To consider and if thought fit to pass the following Special Resolution: To amend the Articles of Association of the Company by adding the following Article immediately after Article 64 **64A ATTENDANCE OF A GENERAL MEETING BY ELECTRONIC MEANS** 64A.1 In the case of any general meeting, the Board may resolve to and make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually. 64A.2 The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to: a) participate in the business for which the meeting has been convened; and b) see and hear all persons who speak (whether through the' use of microphones, loud speakers, computer, audio-visual communication equipment or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means.			

Notes:

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

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

c) To be valid, this Proxy Form must be duly completed by a Member and must either be emailed to sgagm@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 28th September 2020 at 11:00 a.m.