2022 ANNUAL REPORT

& CONSOLIDATED FINANCIAL STATEMENTS

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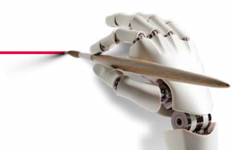


NOTICE OF THE ANNUAL GENERAL MEETING 2023

NOTICE OF THE ANNUAL GENERAL MEETING 2023

NOTICE IS HEREBY GIVEN TO SHAREHOLDERS THAT THE SEVENTEENTH ANNUAL GENERAL MEETING (AGM) OF THE COMPANY WILL BE HELD VIA ELECTRONIC COMMUNICATION ON FRIDAY, 30 JUNE 2023 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 2022, together with the Chairman's, the Directors' and Auditor's Reports thereon.
4. To note that the Directors do not recommend the payment of a dividend for the financial year ended 31st December 2022.
5. Directors:

   a) In accordance with the provisions of Article

   - Mr Richard Omwela retires by rotation and being eligible, offers himself for re-election.
   - Mr Dominic Grainger retires by rotation and being eligible, offers himself for re-election.

   b) In accordance with the provisions of Article 29.5 of the Company's Articles of Association

   - Mr Andrew Payne, who was appointed during the year retires at this meeting and being eligible, does not offer himself for re-election.

   c) In accordance with the provisions of Article 30.8(b) of the Company's Articles of Association: –

   - To elect Ms Patou Nuytemans to serve as director as recommended by the Board of Directors.

   d) In accordance to the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit & Risk Committee be elected to continue to serve as members of the said committee: –

   Mr Peter M. Kimurwa
   Ms Patricia Kiwanuka
   Ms Beverley Spencer-Obatoyinbo
   Mr Jonathan Neil Eggar
   Mr Shahid Sadiq
   Mr Federico de Nardis

6. Directors' Remuneration:-

   a) To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 31 December 2022.
   b) To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 31 December 2022.

7. To note that the auditors, Deloitte & Touche LLP, 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 for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act 2015.

NOTICE OF THE ANNUAL GENERAL MEETING 2023

8. Any other business of which due notice has been received.

By Order of the Board

Winnie Jumba
Company Secretary
Date: 8 June 2023

Notes:

1. WPP Scangroup Plc has convened and is conducting this virtual Annual General meeting in accordance with articles 46.3 (b) and 57.1 of the Company's Articles of Association.
2. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:

   a) Dialing *483*905# for all Kenyan telephone networks and following the various registration prompts; or
   b) Send an email request to be registered to info@image.co.ke; or
   c) Shareholders with email addresses will receive a registration link via email through which they can use to register.

   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) 709 170 030/ 709 170 000 from 9:00 a.m. to 5:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
3. Registration for the AGM opens on 9th June 2023 at 9:00 a.m. and will close on 28th June 2023 at 11.00 a.m.
4. In accordance with Section 283 (2) (c) of the Companies Act, the following documents are available for viewing on the Company's website https://www.wpp-scangroup.com/: (i) a copy of this Notice; (ii) Copy of the audited Financial Statements for the year ended 31 December 2022.

The reports may also be accessed upon request by dialing the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

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

   i) Accessing the Virtual AGM using the sms/email link to the event provided after registration is completed or reconfirmed to access the AGM.
   ii) Accessing the Virtual AGM via SMS by dialing the USSD *483*905# and selecting the option (ask Question) on the prompts;
   iii) Sending their written questions by email to info@image.co.ke; or
   iv) 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 Limited at 5th Floor, Barclays Plaza, Loita Street, Nairobi
   v) 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, ID/Passport Number, Shares or CDSC Account Number) when submitting their questions and clarifications by email, post or delivery.
   All questions received will be responded to via the channel used by the shareholder i.e

NOTICE OF THE ANNUAL GENERAL MEETING 2023

SMS (for USSD option) , Email, Letter or Telephone call. Questions will also be responded to during the meeting.
A full list of all questions received and the answers thereto will be published on the Company's website not later than 24 hours following the conclusion of the meeting.

6. Shareholders who will have registered to participate in the meeting shall be able to vote up to and during the AGM by;
   i) Accessing the Virtual AGM platform via the sms/email link for the AGM sent before the meeting or
   ii) Duly registered Shareholders and proxies may vote (when prompted) via the USSD prompts as well as through the VOTE tab on the livestream link.
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, Absa Towers, 5th Floor, Loita Street, Nairobi. 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 in pdf form to info@image.co.ke or delivered to Image Registrars Limited, Absa Towers, 5th Floor,Loita Street, so as to be received not later than 28 June 2023 at 11:00 a.m.
8. Duly completed proxy form must be supported by a copy of ID/valid Passport of the member and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 28th June 2023 to allow time to address any issues.
9. 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 or livestream link through their email, 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.
10. A Poll shall be conducted for all the Resolutions put forward in this Notice. Voting shall be closed when declared by the chairman on the date of the meeting and the results shall be published on the Company's website within 48 hours following conclusion of the AGM.
11. 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 can op-in for their future dividends to be paid to them via mobile money transfer when registering for the AGM.
12. 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.

CHAIRMAN'S MESSAGE

CHAIRMAN'S MESSAGE

Dear Shareholder,

2022 continued to be a year of change and settling into new ways of working under the leadership of our CEO, Patricia Ithau.

The focus was setting a new tone, re-engaging with our stakeholders in an energized and meaningful way and reclaiming our leadership position in the markets we operate in. The company also continued to strengthen our governance structures, internal controls and building an employee culture of empowerment, accountability and transparency.

Economic activity continued to be slow due to the continuation of the war in Ukraine, inflation and elections in a couple of our major markets which all led to lower spends by our clients. However, even with the tough economic environment and reduced revenue growth, the company showed a profit after tax of Ksh 75m from a loss of Ksh 38m in 2021.

Consolidated results for 2022

Group gross profit for the year ended 31 December 2022 amounted to Ksh 2,196m, decrease of 7% compared to the previous year. Operating and administrative expenses of the Group increased by Ksh 80m, or 3%, mainly due to provision against old Value Added Tax receivables deemed not recoverable. The profit before tax for the group amounted to Ksh 375m compared to Ksh 134m in 2021, the increase is mainly because of one off reversals of old outstanding accruals and other liabilities. The high tax charge in the current year relating to profits is mainly due to provision against old withholding tax recoverable and expenses not deductible for tax purposes.

Outlook for 2023

Looking forward, I remain cautiously optimistic following some momentum in the last quarter of 2022 and the focus that the company has taken on innovating technology driven products that should springboard growth and margin in 2023. The Company has also undergone a fit for purpose exercise in the first half of 2023. The exercise has included both a voluntary exit and redundancy which will result in an organization that is more nimble and agile, with lower staff costs. The full impact of the exercise will be realized in 2024.

This outlook is adversely tampered by the continued rise in the cost of living, uncertainty from the Ukraine war, which are likely to negatively impact the marketing budgets of our clients.

I am confident that the business with its recent focus on building an organization that is future fit, the strong pipeline and launch of technology backed products and the strong leadership currently in place, will rise above the challenges to deliver a stronger performance to its shareholders this coming year.

Proposed Dividend

The directors have not declared a dividend for the financial year ended 31 December 2022.

Appreciation

Finally, I would like to thank our clients in all our markets for their continued support, our shareholders for their confidence in the management and the leadership of the Group and our hard-working staff and management for their excellent work and finally to my fellow directors for their support.

Richard Omwela

Chairman

8th June, 2023

OUR ESG STRATEGY

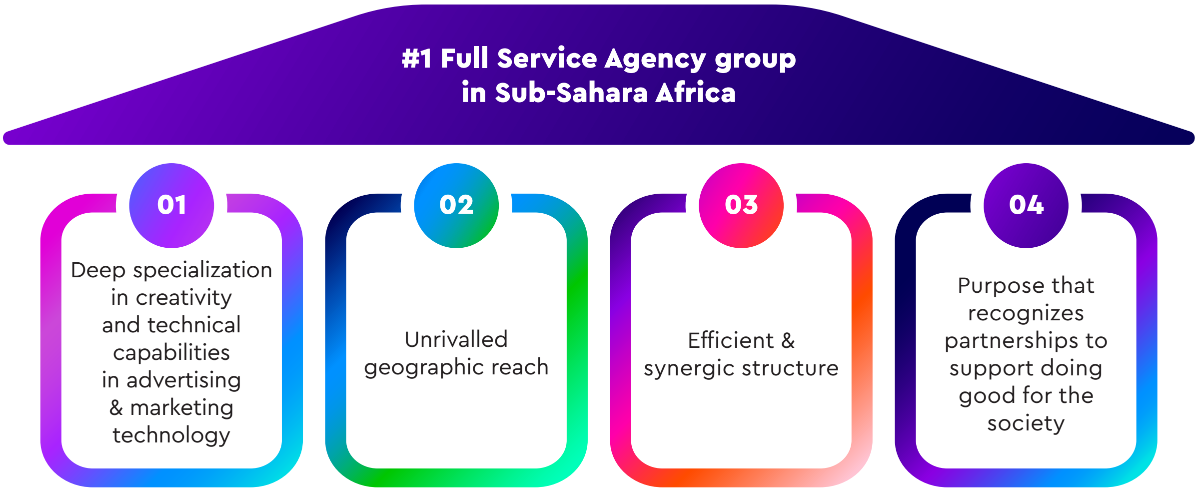
OUR ESG STRATEGY

Developing our ESG strategy

Environmental, Social, and Governance (ESG) issues are becoming increasingly significant for our employees, partners, and the communities in which we operate.

Our sustainability strategy guides us to harness the power of creativity, bolstered by strong governance, to build a better future for our people, planet, partners, and communities. This entails being the employer of choice, understanding that when our employees feel secure, safe, and confident in sharing their ideas, it directly influences creativity and fosters collaboration. Additionally, our sustainability strategy acknowledges the crucial role of good governance as the foundation for achieving all our other objectives. Our partners are increasingly interested in understanding our efforts to combat climate change, promote good governance, and positively impact the communities we live in.

Our ESG plan is integrated into our overall business strategy, which is based on four strategic pillars



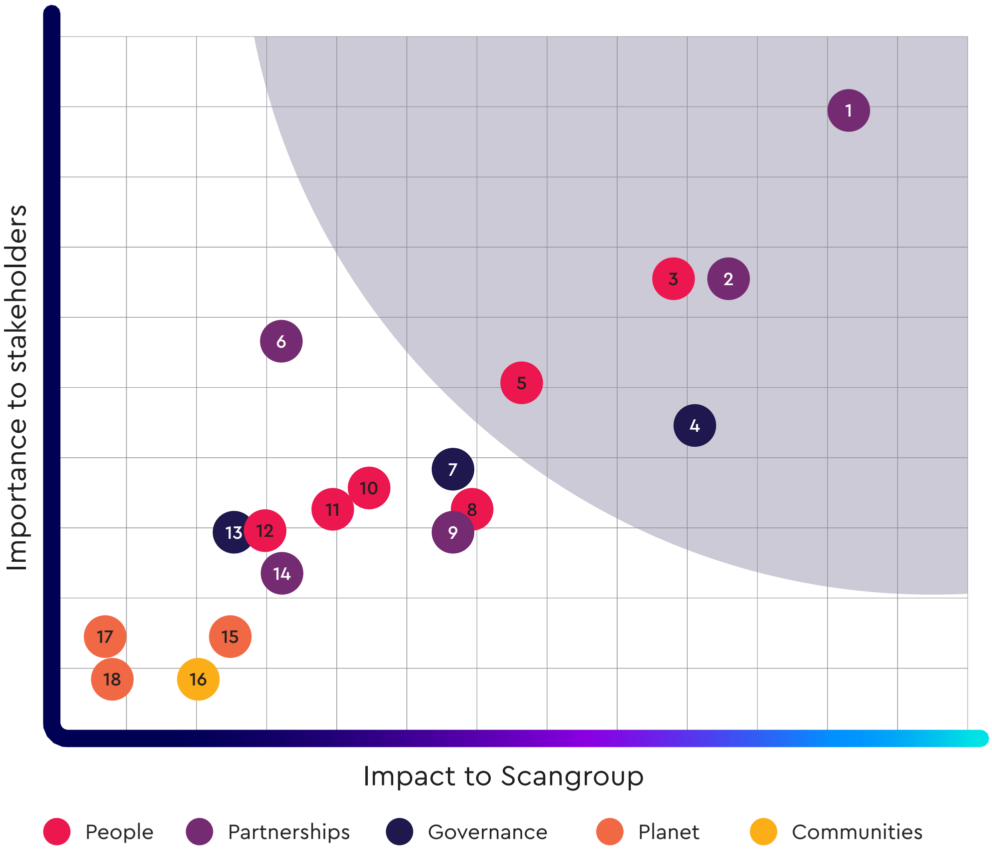
We aim to be the #1 Full-Service Agency group in sub-Sahara Africa. Investing in our people lies at the core of each of our strategic pillars. Additionally, we acknowledge the significance of collaborating with our partners to benefit society. This entails providing exceptional, impactful services to our clients, maintaining ethical standards with our vendors, and adhering to regulatory requirements in the markets we operate in. We also seek partnerships with charities and non-governmental organizations, offering marketing and creative services, sometimes on a pro bono basis. This enables them to raise awareness and funds, recruit members, and achieve campaign objectives.

Materiality analysis framework

In 2022, we conducted our first materiality assessment. Both our employees and the wider stakeholder community contributed to this evaluation, helping us identify the most critical areas requiring our attention.

External Stakeholders		Internal Stakeholders	
Clients	3	Scangroup's executive committee (including CEO)	8
Shareholder	1	WPP sustainability team	1
Vendors	2	Non-independent directors (excluding the CEO)	2
Independent directors	3		

OUR ESG STRATEGY



#	Material topic
1	Sustainable and ethical culture in our client relationships and brand strategy
2	Ensuring best-in-class quality of services
3	Attracting, retaining and developing talent
4	Business integrity, anti-bribery and corruption
5	Workplace culture
6	Fair treatment of our suppliers
7	Regulatory compliance and tax obligations in our different operational geographies
8	Inclusivity and diversity
9	Integration of social data privacy and cybersecurity
10	Employee benefits, remuneration and employment practices
11	Employee wellbeing, health and safety
12	Pay equity
13	Ensuring effective governance structures in sensitive countries and with contractors
14	Human rights and labour practices in our supply chain
15	Climate crisis and carbon footprint reduction
16	Corporate Social Responsibility Activities
17	Energy and resource management
18	Office considerations (access and sustainable design)

OUR ESG STRATEGY

Defining our ESG 'swords and shields'

We recognised issues that can provide us with a competitive edge, which we refer to as "swords," and those that are vital to how we operate, which we refer to as "shields."

Competitive edge 'Swords'	Vital 'Shields'
People • Attracting, retaining, and developing talent • Employee wellbeing, health, and safety • Employee benefits, remuneration and employment practices • Inclusivity and diversity	**People** Workplace culture
Partnerships • Best-in-class quality of service to our clients • Fair treatment of our suppliers	**Partnerships** • Sustainable and ethical culture in our client relationships and brand strategy • Integration of social data privacy & cybersecurity
Governance • Regulatory compliance and tax obligations in our different operational geographies	**Governance** • Business integrity, anti-bribery, and corruption

Our ESG pillars

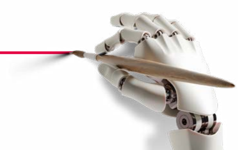
PEOPLE	PARTNERSHIPS	GOVERNANCE	PLANET	COMMUNITIES
• Inclusivity and diversity • Pay equity • Attracting, retaining and developing talent • Workplace culture • Employee benefits, remuneration and employment practices • Employee wellbeing, health and safety	• Sustainable and ethical culture in our client relationships and brand strategy • Ensuring best-in-class quality of services • Intergration of social Data privacy and cybersecurity • Human rights and labour practices in our supply chain • Fair treatment of our suppliers	• Regulatory compliance and tax obligations in our different operational geographies • Business integrity, anti-bribery and corruption • Ensuring effective governanve structures in sensitive countries and with contractors	• Climate crisis and carbon footprint reduction • Office considerations (access and sustainable design) • Energy and resource management	• Corporate social responsibility activities

OUR ESG STRATEGY

Our contribution to Sustainable development goals

We have identified and prioritized seven United Nations (UN) Sustainable Development Goals (SDGs) to which we believe our material ESG topics can contribute the most:

3 GOOD HEALTH AND WELL-BEING	Promoting healthy lives and minds
4 QUALITY EDUCATION	Enabling freedom through inclusive quality education
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls
8 DECENT WORK AND ECONOMIC GROWTH	Promoting sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all
13 CLIMATE ACTION	Taking urgent action to combat climate change and its impacts
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promoting peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalise the global partnership for sustainable development



OUR ESG STRATEGY

Our Sustainability highlights- 2022

1. People

a) Ksh 1.98b in employee benefits
b) 49% of women in the overall workforce
c) Mental Health Allies Programme launched
d) 60% participation rate on our All-in-Survey with an engagement rate of 75%.
e) 72% transition of employment contract from Fixed Term to Permanent.

2. Partnerships

a) Zero identified leaks, thefts, or losses of customer data
b) 99% of new vendors engaged signed the vendor code of conduct.
c) 77% client retention rate
d) 21 awards won for outstanding client work

3. Governance

a) 36% female board members
b) 100% joiners completed our How-We-Behave training
c) Zero public legal cases regarding corruption brought against our organization or its employees

4. Planet

Measurement of Scope 1 & 2 emissions

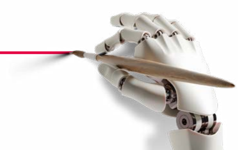
5. Communities

a) 10,000 lesso lessons produced and distributed in Kenya through the lesso lessons campaign for Roto tanks
b) Ksh 1.539m investment to buy 6000 books bought for 6 schools through The Crucible project in Kenya.
c) Partnering with Women in Successful Careers (WISCAR) & providing pro-bono PR work to highlight the importance of role modelling and mentorship by successful women leaders in Nigeria

CORPORATE INFORMATION

CORPORATE INFORMATION

DIRECTORS	Richard Omwela Patricia Ithau Jonathan Neil Eggar* Dominic Grainger* Shahid Sadiq* Patricia Kiwanuka Beverley Spencer-Obatoyinbo* Peter M. Kimurwa Federico de Nardis** Tebogo Skwambane*** Andrew Payne*	Chairman Chief Executive Officer * British ** Italian *** South African
SECRETARY	Winniefred Jumba Certified Public Secretary (Kenya) Stamford Corporate Services LLP 5th Floor, West Wing, ICEA Lion Riverside Park, Chiromo Road P. O. Box 10643 – 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 LLP 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	Up to 28th February 2023 Comp-rite Kenya Limited 2nd Floor, Crescent Business Centre The Crescent, off Parkland Road P.O. Box 64328 – 00619 Nairobi From 1st March 2023 Image Registrars Limited 5th Floor, Absa Towers, Loita Street P.O. Box 9287- 00100 GPO Nairobi	

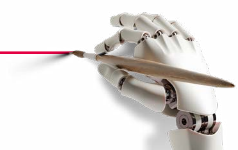


CORPORATE INFORMATION

GROUP COMPANIES, BUSINESS ACTIVITIES AND GEOGRAPHIC PRESENCE

Business Activities	Country	Business Activities	Country
Advertising		*Media investment management*	
Scanad Ghana Ltd.	Ghana	GroupM Africa Ltd.	Kenya
Ogilvy Ghana Ltd.	Ghana	MEC Africa Ltd.	Kenya
Scanad Kenya Ltd.	Kenya	Media Compete East Africa Ltd.	Kenya
J. Walter Thompson Kenya Ltd.	Kenya	Mindshare Kenya Ltd.	Kenya
Scanad Africa Ltd.	Kenya	Ogilvy Africa Media Ltd.	Kenya
Grey East Africa Ltd.	Kenya	Scangroup (Malawi) Ltd.	Malawi
Ogilvy & Mather (Eastern Africa) Ltd.	Kenya	Scangroup (Mauritius) Ltd.	Mauritius
Geometry Global Ltd.	Kenya	Scangroup Mozambique Limitada	Mozambique
Ogilvy Africa Ltd.	Kenya	Scangroup (Zambia) Ltd.	Zambia
Ogilvy Kenya Ltd.	Kenya		
Scanad Nigeria Ltd.	Nigeria		
Scanad Rwanda Ltd.	Rwanda		
O&M Africa B.V. (Branch Office)	South Africa	*Public relations*	
Scanad Tanzania Ltd.	Tanzania	Hill & Knowlton East Africa Ltd.	Kenya
J.Walter Thompson Tanzania Ltd.	Tanzania	Ogilvy Public Relations Ltd.	Kenya
Ogilvy Tanzania Ltd.	Tanzania	Hill & Knowlton Strategies Nigeria Ltd.	Nigeria
Scanad Uganda Ltd.	Uganda	Hill & Knowlton Strategies Uganda Ltd.	Uganda
JWT Uganda Ltd.	Uganda	Hill + Knowlton Strategies SA Pty Ltd.	South Africa
Ogilvy & Mather Zambia Ltd.	Zambia	WPP Team Gabon SARL	Gabon
		Digital advertising	
Speciality communication		Squad Digital Ltd.	Kenya
Roundtrip Ltd.	Kenya	Squad Digital Nigeria Ltd.	Nigeria

NOTE: The above list of companies does not include a number of dormant legal entities.



HISTORICAL FINANCIAL TRENDS

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR THE YEAR

All figures in Ksh'000	2022	2021	2020	2019	2018
Revenue	7,317,541	7,596,164	6,341,145	9,282,328	13,821,790
Gross profit	2,195,805	2,352,241	2,238,979	2,872,837	4,504,904
Interest income	220,035	224,380	181,261	165,620	291,104
Profit before taxation	375,527	134,083	(1,454,493)	290,682	959,888
Tax charge	(300,288)	(172,023)	(278,035)	(131,890)	(347,679)
Profit and gains from discontinued operations		–	2,115,346	332,617	–
Profit after tax	75,239	(37,940)	382,818	491,409	612,209
Non controlling interests	(13,786)	18,568	86,440	(59,438)	(57,728)
Profit available to Scangroup Shareholders	61,453	(19,372)	469,258	431,971	554,481
Basic earnings per share (EPS) (Ksh')	0.14	(0.04)	1.09	1.00	1.37
Weighted average number of shares (million)	432.16	432.16	432.16	432.16	405.51

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

All figures in Ksh'000	2022	2021	2020	2019	2018
ASSETS					
Non – current assets	823,006	844,806	995,252	2,093,430	3,184,247
Current assets	7,391,623	8,599,977	7,746,631	10,709,743	11,240,951
Total assets	**8,214,629**	**9,444,783**	**8,741,883**	**12,803,173**	**14,425,198**
LIABILITIES					
Non – current liabilities	63,876	98,217	143,419	255,475	505,080
Current liabilities	2,977,613	4,146,169	3,330,943	5,355,126	5,430,739
Equity	5,173,140	5,200,397	5,267,521	7,192,572	8,489,379
Total Equity and Liabilities	**8,214,629**	**9,444,783**	**8,741,883**	**12,803,173**	**14,425,198**

REPORT OF THE DIRECTORS

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 2022, which disclose its state of affairs.

PRINCIPAL ACTIVITY

WPP Scangroup PLC is a group of marketing services companies whose offerings include Advertising, Branding and Communication (brand strategy, creative and content across digital and mass-media platforms); Consulting; Mar-Tech solutions; Managing Media Investments (including performance marketing), Public Relations and Influence, and RoI measurement. The group includes both locally grown companies (Scanad, Squad) and global agency networks (Group M, H+K Strategies and Ogilvy) who partner with some of the world's leading brands on the continent as well as Africa's largest corporate companies to develop cohesive marketing strategies for their products and services.

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2022**	**2021**	**2022**	**2021 restated**
Profit before tax	375,527	134,083	88,252	102,484
Tax charge	(300,288)	(172,023)	(68,255)	(37,108)
Profit / (loss) for the year	75,239	(37,940)	19,997	65,376
Other comprehensive loss	(81,097)	(4,458)	–	–
Total comprehensive (loss) / income for the year	(5,858)	(42,398)	19,997	65,376

The detailed results of the Group and the Company are included on page 55.

FINANCIAL REVIEW

REVIEW OF RESULTS

Group results:

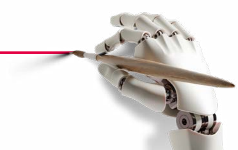
Gross profit in 2022 was Ksh 2,196m, a decrease of Ksh 156m (7%) compared to the prior year. Operating and administrative expenses amounted to Ksh 2,545m, an increase of Ksh 80m compared to the prior year, mainly due to provision for old VAT recoverable. No further write off of goodwill arising on consolidation was made during the year, while a further provision for impairment in the value of investments in associates amounting to Ksh 21m was made. The profit after tax for the group amounted to Ksh 75m compared to a loss of Ksh 38m in 2021.

Company results:

The profit of the Company after tax amounted to Ksh 20m for the year ended 31st December 2022. This compares to a profit of Ksh 65m in the prior year, a decline of Ksh 45m.

DIVIDENDS

The directors did not declare a dividend for the Company for the financial year ended 31 December 2022 (2021: Nil).



REPORT OF THE DIRECTORS

ENHANCED BUSINESS REVIEW

OVERVIEW

WPP Scangroup is a full-service creative company focused on driving positive outcomes for our clients. As Africa's leading marketing and communications group with physical presence in 23 markets, we use the power of our integrated offering and vast network to transform our clients' businesses.

The reshaping of our Company over the last year led to growing relationships with existing clients and developing new client relationships.

Our agencies were responsible for some of the most innovative and impactful work of 2022. We ran a seven-country initiative with Gates Foundation to counter COVID misinformation about vaccine hesitancy. Another campaign for HBCC (Hygiene and Behaviour Change Coalition) in partnership with UKAid and Unilever to encourage vaccine uptake that was made in Africa and ran in 18 markets around the world reaching 600M people. We equally partnered with our clients to create business success stories with campaigns like 'Numbers that Matter' for NCBA Bank and 'Vodka Tru' for Distell (KWAL in Kenya) and several successful campaigns for Airtel, Diageo, Total Energies amongst others. Our milestone campaign for the year, 'Lesso Lessons', done in partnership with Roto Foundation and Kenya Ministry of Health, is the region's most awarded campaign till date winning at several global platforms.

The quality of our work and the talent of our people were recognised not only by our clients, but by the industry. Our agency network, Ogilvy Africa, won more global awards in 2022 than our entire history. Major ones include; A yellow pencil at D&AD, the only yellow pencil for Africa this year; A gold at Cannes Lions; a LIA (London International Awards) statue. All these awards are first-ever for WPP Scangroup, and firsts for any agency in East, Central and West Africa. Four awards at the Africa Loeries including a grand-prix. Per the World Advertising Research Center (WARC) 2023 rankings, Ogilvy Africa is the highest ranked agency in the region (excluding SA) in all three rankings of creativity, effectiveness and media.

In 2022, we introduced EssenceMediacom,(under GroupM) which combines Essence's skills in performance, data, analytics and creative technology with MediaCom's multichannel audience planning and strategic media expertise as an offering in the market to drive more integrated solutions to our clients.

In 2020, under our S+P (Social and Performance) business, we launched our social and content product, FEED that enables brands to act real-time on social media through content, conversations and communities. In 2022, we launched the upgrade FEED 2.0 that adds deep functionalities on consumer data, automated content-customization, and performance marketing (including programmatic media buying). FEED 2.0 offers brands the ability to participate in the entire user journey from Content to Commerce in real time, on one unified platform. The market uptake of FEED has been very encouraging with large scale deployments for major clients like Diageo, Coca-Cola and Airtel. FEED runs across 27 countries in Africa, managing over 50 brands.

Our strategic collaborations with technology companies (including Wowzi, Media Donuts Entravision and Simply Black) enable us to provide bundled solutions to our clients that are powered by technology and data insights. These collaborations strengthen our existing leadership position in key growth areas such as digital commerce and media.

REPORT OF THE DIRECTORS

OPERATIONS

2022 continued to be a year where we reshaped our business. Challenges resulted from slow economic growth in several African markets, elections that impacted client spend, budget reductions from clients, and currency fluctuations. Despite the challenges faced on top line revenue growth, we were able to deliver a Group Profit for the year of Ksh 75.2 million vs a loss for the year of Ksh 37.9 million in 2021.

LOOKING AHEAD

We expect to see momentum going into 2023 driven by our technology backed products. In addition, we will be taking a holistic look at redesigning the organisation into one that is future fit. To that end, over the course of the year, we will be undertaking a strategic review to establish our purpose and relationship with the communities we operate in. We will also redefine our strategic objectives for the next 3- 5 year horizon, look at how we optimise our organisation structures taking into consideration new ways of working and technology developments. Most importantly, we will build a leadership and organisation culture with an open, collaborative and innovative mindset.

STRATEGIC GOALS & KEY PRIORITIES FOR 2023

Our top priority for 2023 is to achieve sustainable growth, while improving margins and changing our culture and the way we work. There are three growth engines available to us that will drive us forward:

CAPABILITIES:

PR & Influence: We will bring Influencer Management solution, InfluenceO, in a version that's been customized for Africa.

Experience – We will be testing a full-stack of Web3 offerings, in collaboration with Savannah labs. Offerings include NFTs, Crypto-wallet integration, Discord communities and full-stack blockchain tech developments. We will also leverage Ogilvy's Studios in South Africa, Romania, Spain and Singapore for tech developments, Customer Relationship Management (CRM) and e-commerce builds to enhance our clients' brands in a cost advantageous way.

Creative – We will focus on enabling our creative teams with AI tools in multimedia environments, driving efficiencies.

Consulting – We will build on WPP's global Consulting Capabilities to bring select disciplines to Africa. Capabilities include behavioural sciences, sustainability, purpose consulting.

Media Planning, Buying and Analytics – Continue bringing an end-to-end offering to clients in partnership with our key media suppliers.

COLLABORATION:

Internally, we will continue to leverage the best of the WPP's global network for training and technology including collaborations with WPP companies like Yonder media for best practices and cutting-edge tools.

Externally, we will continue/expand our collaborations with partners including Wowzi for influencer tech, Media Donuts Entravision (MDE) for performance marketing (programmatic engine and DSP), Other partners that complement our network footprint in 39 countries include: (Novo-Comm Ogilvy, Barkers Ogilvy, Moris Pub Ogilvy, Corporate Graphics, AG Partners, Simply Black). These partners enable us to extend reach for our clients.

REPORT OF THE DIRECTORS

CULTURE:

We will continue to foster culture of collaboration between our agency networks banking on individual strengths and market presence in order to serve our clients' needs better. For our employees, we will continue to drive a culture of openness, innovation and a system that sets the tone for accountability and empowerment.

SUSTAINABILITY:

Sustainability is at the heart of our business. Our ESG strategy centers on our people, good governance, sustainable partnerships, and our planet to build a best-in-class quality of service. We are in the process of developing a detailed roadmap towards our commitment against those pillars.

MANAGING RISKS

To safeguard our business and our people, along with the interests of our stakeholders, the Board constantly identifies, monitors and analyses the risks facing the Group and the markets in which it operates. During the year the Board conducted an assessment of principal risks and uncertainties, as well as mitigating factors. The Board manages risk through the Management Risk Committee that is chaired by the Group CEO of WPP Scangroup. The Management Risk Committee reports to the Board Audit and Risk Committee.

EMPLOYEE STATISTICS

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

i) Categorisation by employment contract

	31 DECEMBER 2022	31 DECEMBER 2021
Permanent	404	277
Contracted	150	240
	554	517

ii) Categorisation by gender

	31 DECEMBER 2022		31 DECEMBER 2021	
	Male	Female	Male	Female
Senior leadership	50%	50%	50%	50%
Head Of Department	42%	58%	55%	45%
Senior Managers	44%	56%	47%	53%
Overall	50%	50%	52%	48%

REPORT OF THE DIRECTORS

EVENTS AFTER THE REPORTING DATE

Ms Miriam Kaggwa was appointed as Chief Finance Officer of the company on 1 February 2023.

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 LLP, 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.

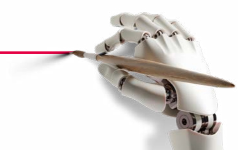
By Order of the Board

Winniefred Jumba

Company Secretary

27 April 2023

Nairobi



CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

OVERVIEW

The Board and all levels of management of WPP Scangroup Plc ("the Company") and its subsidiaries are committed to promoting and maintaining the highest standards of corporate governance. The Board recognizes that good corporate governance augments good performance of the company. The Company's corporate values and ethics are entrenched in the strategic and business objectives which are aimed towards achieving sustainable and profitable growth for the Company.

The Company supports the intent and purpose of the provisions of the Capital Markets Authority (CMA) Code of Corporate Governance practices for Issuers of Securities to the Public 2015 (the CMA Code). In addition, WPP Scangroup Plc abides by the tenets of the Constitution of Kenya and all other laws as a law-abiding corporate citizen.

The Company's corporate governance policies are available in the Investor Relations section of the Company's website. The Board regularly reviews these policies and the Company's corporate governance practices against the requirements of both the Companies Act 2015, the CMA Code and best practice.

THE BOARD OF DIRECTORS

Role and Responsibilities of the board

The primary roles and key responsibilities of the Board include:

- Providing effective leadership in collaboration with the executive management team;
- Facilitating set up of appropriate corporate governance structures for the management of the business operations;
- Establishing Board Committees, policies and procedures that shall facilitate the most effective discharge of the Board's roles and responsibilities;
- Reviewing and approving the Company's annual budget proposed by the Executive management team including the Company's financial objectives, plans, and actions, including significant capital allocations and expenditures;
- Facilitating Board accountability through effective Board evaluation and succession planning;
- Reviewing and approving management's strategic and business plans, including developing a depth of knowledge of the WPP Scangroup Plc's business, understanding and questioning the assumptions upon which such plans are based, and reaching an independent judgment as to the probability that the plans can be realized;
- Ensuring that the key strategic risks of the Company are identified, evaluated and mitigation plans set up, and their on-going status and management effectively monitored;
- Ensuring that appropriate and effective risk management and internal control processes operate in the Company;
- Monitoring corporate performance against the strategic and business plans, including overseeing the operating results on a regular basis to evaluate whether the Company is being properly managed;
- Ensuring ethical behaviour and compliance with laws and regulations, auditing and accounting principles, and the Company's own governing documents;
- Assess its own effectiveness in fulfilling these and other Board responsibilities; and;
- Perform such other functions as are prescribed by law or assigned to the Board in the Company's Articles of Association.

CORPORATE GOVERNANCE STATEMENT

Board size, composition, independence and appointments

The Board comprises eleven (11) members. 10 of whom are non-executive with varied experience and expertise aligned to the needs of the business. The current members of the Board are as follows:

Name	Designation	Date of Appointment
Mr. Richard Omwela	Chairman, Non- Executive Director	14/11/2005
Ms. Patricia Ithau	Chief Executive Officer, Executive Director	14/03/2022
Mr. Jonathan Eggar	Non-Executive Director	29/05/2015
Mr. Shahid Sadiq	Non- Executive Director	08/02/2021
Mr. Dominic Grainger	Non- Executive Director	26/07/2018
Ms. Patricia Kiwanuka	Independent Non-executive Director	31/03/2022
Ms. Beverly Spencer-Obatoyinbo	Independent Non-executive Director	31/03/2022
Mr. Peter Kimurwa	Independent Non-executive Director	31/03/2022
Mr. Federico De Nardis	Non-executive Director	31/03/2022
Mr. Andrew Payne	Non-executive Director	05/08/2022
Ms. Tebogo Skwambane	Non-executive Director	31/03/2022

Separation of powers and duties of the Chairman and the Chief Executive Officer

The Chairman and the Chief Executive Officer (CEO) have distinct and clearly defined duties and responsibilities. The separation of the functions of the Chairman (a Non-Executive Director) and the CEO (Executive Director) supports and ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

A summary of each role is provided below.

The Chairman

- Providing leadership to the Board and chairing Board Meetings, which involves determining the agenda and ensuring that the Directors receive accurate, timely and clear information, and ensuring that the Board has an effective decision-making framework;
- Chairing meetings of shareholders, including the annual general meeting;
- Keeping track of the contribution of individual Directors and ensuring visible participation;
- Monitoring the activities of Board Committees;
- Engaging the Board in assessing and improving its performance and that of the Chief Executive Officer;
- In consultation with the Chief Executive Officer, approve or delegate authority for the approval of all material releases to be submitted to the Capital Markets Authority and other investor releases;
- Acting as the primary channel of communication and point of contact between the Board and the Chief Executive Officer; and to provide guidance and mentoring to the Chief Executive Officer.

CORPORATE GOVERNANCE STATEMENT

The Chief Executive Officer

- Developing and recommending to the Board annual business plans and budgets that support the Company's long-term strategy;
- Fostering a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils social responsibility;
- Developing and recommending to the Board a long-term strategy and vision for the Company that leads to the creation of shareholder value;
- Ensuring that the day-to-day business affairs of the Company are appropriately managed;
- Ensuring continuous improvement in the quality and value of the products and services provided by the Company;
- Ensuring that the Company achieves and maintains a satisfactory competitive position within the Consumer industry locally, regionally and internationally;
- Ensuring that the Company has an effective executive management team below the level of the Chief Executive Officer, and has an active plan for its development and succession;
- Formulating and overseeing the implementation of fundamental corporate policies;
- Serving as the official spokesperson for the Company; and
- Overseeing the induction of new Board members.

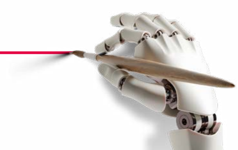
The Company Secretary

The Company Secretary, Ms Winniefred Jumba is a member in good standing with the Institute of Certified Secretaries (ICS), Reg No 1468. Her role includes:

- Providing a central source of guidance and advice to the Board on matters of ethics, statutory compliance, compliance with the regulators and good governance;
- Providing the Board as a whole and Directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Company;
- Facilitating the induction training for new Directors and assist with Directors' professional development as required. This includes identifying and facilitating on-going Board education;
- In consultation with the Chief Executive Officer, ensure effective information flows within the Board and its committees and between senior management and non-executive Directors. This includes setting the timeliness of compilation and distribution of Board papers and minutes and communication of resolutions from Board meetings;
- Seeing to the proper development of Board meetings and providing directors with clear advice and information;
- Assisting the Chairman in ensuring that regular assessments on the effectiveness of the Board and its committees, as well as the contribution of individual Directors, are carried out;
- Guiding the Company in taking the initiative to not only disclose corporate governance matters as required by law and Codes of Corporate Governance, but also those of material importance to the decision-making of institutional investors, shareholders, customers and other stakeholders;

Summary of attendance during the year

The Board meets at least four times a year. Members of the senior management may be invited to attend Board meetings as deemed necessary. Non- executive Directors may on occasion attend senior management strategy sessions.



CORPORATE GOVERNANCE STATEMENT

A summary of attendance for the period under review is as follows:

Date of Meeting	23rd February 2022	27th April 2022	18th August 2022	18th November 2022
Mr. Richard Omwela	√	√	√	√
Mr. Pratul Shah	√	n/a	n/a	n/a
Ms. Patricia Ithau	n/a	√	√	√
Mr. Peter Kimurwa	n/a	√	√	√
Mr. Dominic Grainger	(a)	√	√	√
Ms. Patricia Kiwanuka	n/a	√	√	√
Mr. Jonathan Eggar	√	√	√	√
Ms. Beverley Spencer-Obatoyinbo	n/a	√	√	√
Mr. Federico de Nardis	n/a	√	√	√
Mr. Shahid Sadiq	√	√	√	√
Mr. Andrew Payne	n/a	n/a	√	√
Ms. Tebogo Skwambane	n/a	(a)	√	√

** (a) – absent, n/a – was not on the Board.*

Board diversity

The Board recognizes and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage. The Board also recognizes the role of diversity in bringing different perspectives into Board debates and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues. The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise including business management, finance, corporate communications, marketing and advertising. The Directors hold varying lengths of tenure: 7 directors at 0- 3 years and 4 directors at 3 years and more. Non-executive Directors comprise of 91% of the Board and executive Directors 9%. The gender split is as follows: 7 male (64%) directors and 4 female (36%) directors. As at the date of this report, three (3) of the Non-Executive Directors were Independent as defined by the Code.

Management of conflict of interest

At the start of the calendar year, the Directors submit an annual declaration on their independence. Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board and Committee meeting. Directors who are conflicted, are excluded from the quorum and vote, in respect of any matters in which they have an interest.

Director induction

Upon appointment to the Board, each director receives an induction pack containing appointment letter, Articles of Association, Board Charter, Committees Terms of reference (ToRs), Directors' guide, organizational structure and information on the overview of the organization and its strategy; and a comprehensive and tailored induction covering the Company's business and operations and their legal and regulatory obligations.

CORPORATE GOVERNANCE STATEMENT

Training and development

Board members undergo regular training and education to enable them to fulfil their responsibilities. During the financial year under review, the Directors engaged in facilitator-led training from credible sources on area of artificial intelligence and its impact on the business.

Access to independent advice

The Board recognizes that there may be occasions when one or more Directors considers it necessary to take independent advice on various matters such as legal or financial advice, at the Company's expense. This is provided for in the Board Charter and the Terms of Reference of each Committee.

Governance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board appointed Mr Bernard Kiragu of Scribe Services Secretaries to conduct the Company's Governance Audit for the year ended 31 December 2020. In the opinion of the Governance Auditor, the Board has put in place a governance framework that is broadly in compliance with the legal and regulatory corporate governance requirements. The Company was issued with an unqualified opinion. The Company is in the process of commissioning the governance audit for year ended 31 December 2022 which is expected to conclude by December 2023.

Legal and compliance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board appointed the firm of RONN Law Advocates LLP to conduct a Legal and Compliance Audit for the period 01 January 2021 up to 31 December 2022 with the objective of ascertaining the level of adherence to applicable laws, regulations and standards in order to deliver long-term value to stakeholders. The findings from the audit confirmed that the Company was largely in compliance with applicable laws and regulations. Implementation of the recommendations from the legal and compliance audit are ongoing.

Key deliberations by the Board

During the period under review, the Board's focus and deliberations were around the following:

- Board and senior management restructuring – with the appointment of a Chief Executive Officer, Chief Finance Officer, and the appointment of six non-executive directors, three of whom are independent;
- Restructuring the Board Committees;
- A review of the governance framework and extensive review of the Board governance policy documents and processes;
- Group strategy reviews and its implementation on a quarterly basis including ensuring necessary resources are in place to meet agreed objectives;
- Approving the budget for FY 2022 and monitoring the performance of the Group and Company against the approved budget.

BOARD COMMITTEES

The Board has two standing committees: an Audit and Risk Committee and a Nominations and Remuneration Committee. Each committee has formal and approved terms of reference. The Board periodically reviews the terms of reference for each of the committees to ensure they are in line with current legislation and best practice.

CORPORATE GOVERNANCE STATEMENT

Audit and Risk Committee

The Audit and Risk Committee ensures the integrity of the Company's financial statements, reviews the internal control systems, the risk management framework, monitors and reviews the effectiveness of the internal audit function, monitors and reviews the performance, independence and objectivity of the external auditors, makes recommendations to the Board on the appointment of the external auditor, and ensures compliance with legal and regulatory requirements.

During the year under review, the Committee discussed the following matters:

- Risk assessment reports and consolidated risk reports;
- Management accounts and financial results;
- Internal audit reports and plans;
- Risk and compliance reports;
- Policy Reviews;
- External audit plans;
- Litigation updates.

Membership and attendance of meetings for 2022

The Audit and Risk Committee is comprised of six (6) non-executive directors. The Committee is chaired by an independent director and reports to the Board after every committee meeting. The composition is inclusive of members who hold relevant qualification including in the area of accounting and audit.

A summary of the attendance of the members is summarized below:

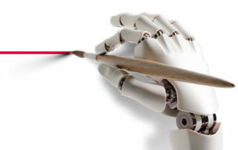
Date of Meeting	21st February 2022	27th April 2022	17th August 2022	16th November 2022
Mr. Pratul Shah (Former Chairperson)	✓	n/a	n/a	n/a
Mr. Richard Omwela	✓	✓	n/a	n/a
Mr. Peter Kimurwa (Chairperson)	n/a	n/a	✓	✓
Ms. Patricia Kiwanuka	n/a	n/a	✓	✓
Mr. Jonathan Eggar	✓	✓	✓	✓
Ms. Beverley Spencer-Obatoyinbo	n/a	n/a	✓	✓
Mr. Federico de Nardis	n/a	n/a	✓	✓
Mr. Shahid Sadiq	n/a	n/a	✓	(a)

Risk management and internal control

The Board, with advice from its Audit and Risk Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the year under review. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

External auditor

Messrs. Deloitte & Touche LLP are the Company's external auditor. The Audit and Risk Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness.



CORPORATE GOVERNANCE STATEMENT

Nominations and Remuneration Committee

The Nominations and Remuneration Committee is mandated with setting out an appropriate formal and documented selection, interview and recruitment criteria for directors and senior management. It ensures succession planning and Board and committees continuity. Further, it is also mandated to ensure that principles of good governance are adhered to at all times, and these include accountability, efficiency, effectiveness, integrity and fairness, responsibility and accountability.

During the year under review, the Committee discussed the following matters:

- Appointment of the Chief Executive Officer and Chief Finance Officer;
- Review of the Board and Committee structures;
- Recruitment of Independent Non-executive directors;
- Human Resource Reports;
- Human Resource and Board Governance Policies;
- Governance Audit and Board Evaluation findings and implementation of recommendations.

Membership and Attendance of meetings for 2022

The Nominations and Remuneration Committee is comprised of six (6) non-executive directors. The Committee is chaired by an independent director and reports to the Board after every committee meeting.

A summary of the Nominations and Remuneration Committee meetings held in the year under review include:

Date of Meeting	17th August 2022	16th November 2022	15th December 2022
Ms. Beverley Spencer-Obatoyinbo	√	√	(a)
Mr. Richard Omwela	√	√	√
Mr. Peter Kimurwa	√	√	√
Mr. Dominic Grainger	√	√	(a)
Ms. Patricia Kiwanuka	√	√	√
Mr. Shahid Sadiq	√	√	√

GOVERNANCE POLICIES

WPP Scangroup Plc as part of implementation of best corporate governance practices and in compliance with the regulatory requirements, has in place policies and practices to promote a culture of compliance, honesty and ethical behavior. The policies stipulate the obligations of the organization to different stakeholders and apply to all employees, directors, contractors and consultants.

The Board in carrying out its mandate is also guided by the policies in place which include but are not limited to the following:

CORPORATE GOVERNANCE STATEMENT

Board Charter

The Board Charter provides guidance on various matters including the separation of the roles, functions, responsibilities and powers of the Board and its individual members; powers delegated to the Board committees; matters reserved for final decision-making and approval by the Board; policies and practices of the Board on matters of corporate governance, Directors' declarations and conflict of interest, conduct of Board and Board committee meetings; and nomination, appointment, induction, ongoing training and performance evaluation of the Board and its committees.

The Charter is periodically reviewed.

Board remuneration policy

The Board remuneration policy guides the criteria for payment of compensation to non-executive directors. The remuneration of the Executive Director is guided by the Reward Policy which is applicable to all employees of the organization.

Code of Business Conduct

The Code of Business Conduct is available on the Company's website and applies to everyone at the Company. It sets out our responsibilities to our people, partners and shareholders to act ethically, legally and with integrity and covers areas of transparency, accountability, confidentiality, equitable and fair treatment fairness, misuse of position and information and prevention of corruption. It is underpinned by more detailed policies on these topics. The Company has adopted a zero-tolerance approach to corruption, bribery, and unethical business practices. To support this, part of the code is making sure that everyone at the Company has the confidence to speak up and knows how to raise concerns through various channels without fear of retaliation. The Company's approach to this is described under Whistleblowing below.

Conflict of interest policy

Directors are obligated to fully disclose to the Board any real or potential conflict of interest which come to their attention, whether direct or indirect. All business transactions with all parties, Directors or their related parties are carried out at arm's-length.

Insider trading policy

The Company has a policy on insider trading. Directors and staff are made aware that they ought not to trade in the Company's shares while in possession of any material insider information that is not available to the public or during a closed period.

Whistle blowing

WPP Scangroup Plc directors, employees and stakeholders are expected to carry out their duties as required and conduct themselves in a professional manner at all times and in ways that bring credit to themselves and the company. Employees are required to observe high standards of business and personal ethics, honesty and with integrity in fulfilling our responsibilities within all applicable laws and regulations as set out in the Company's Code of Business Conduct.

We want to encourage a culture of integrity and transparency where our people make the right decisions automatically and instinctively. Part of this culture is making sure that all employees have confidence and know how to speak up and raise concerns with their managers or supporting teams, through their employee forums, with the Company's Head of Legal or by calling a Right to Speak

CORPORATE GOVERNANCE STATEMENT

hotline (which is confidential and allows for anonymity) if they experience or hear about behaviour which is at odds with the principles stated in the Company's Code of Business Conduct.

Every report received from a whistleblower whether through the Right to Speak hotline or directly to the Company's Head of Legal is logged, investigated and tracked through to a conclusion including any remediation or follow-up action that might be required. Recommended remediation can include disciplinary action, changes to systems, controls and processes or wider review and monitoring for a particular time period.

Corporate social responsibility

The Company recognizes the importance of corporate social responsibility in carrying out its business. We ensure that we carry out our business consciously of the wider society. We also encourage our employees to participate in CSR activities aimed at improving the communities from which they come from.

Related party policy

The purpose of this policy is to define dealings within the WPP Scangroup Plc between the related parties. The policy defines and identifies the related parties and related party transaction. It also provides for the necessary controls to ensure that related party transactions are purely at arms-length basis.

Shareholding

The authorized and issued share capital of WPP Scangroup Plc consists of 500,000,000 authorised and 432,155,985 issued ordinary shares as disclosed on Note 25 in the financial statements. The holders of the ordinary shares are entitled to attend the Company's General Meetings in person or through proxies.

Directors' Shareholding

Directors can purchase or sell shares of the Company in the open market. None of the Directors as at the end of financial year under review held shares in their individual capacity of more than 1% of the Company's total equity.

The ten largest shareholders as at 31st December 2022 are:

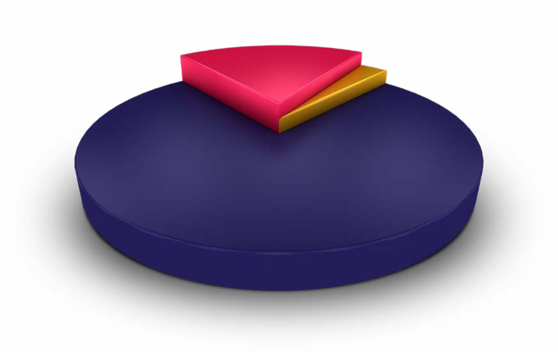
Rank	Names	Domicile	Total Shares	%
1.	Cavendish Square Holding B.V *	Netherlands	176,903,560	40.94 %
2.	Russel Square Holdings B.V *	Netherlands	53,290,883	12.33 %
3.	Standard Chartered Kenya Ltd	Kenya	51,813,561	11.99 %
4.	Thakkar Bharat Kumar KJ Thakkar	Kenya	42,302,860	9.79 %
5.	Standard Chartered Nominees Ltd	Kenya	22,674,843	5.25 %
6.	Ogilvy and Mather South Africa (Pty) *	South Africa	12,907,856	2.99 %
7.	Thakkar Bharat Kumar Thakkar	Kenya	3,000,000	0.69 %
8.	Bora Services Limited-Sers1	Kenya	2,393,267	0.55 %
9.	Kotak Bella	Kenya	2,010,700	0.47 %
10.	Joseph Macharia Maina Monyo	Kenya	2,010,200	0.47 %
11.	Others		62,848,255	14.54%
12.	Total		432,155,985	100%

**WPP Plc subsidiaries (total shareholdings 56.26%)*

CORPORATE GOVERNANCE STATEMENT

By category of shareholders

DOMICILE	TOTAL SHARES	%	HOLDERS
FOREIGN INVESTORS	322,258,230	74.57%	295
LOCAL INSTITUTIONS	9,686,457	2.24%	852
LOCAL INDIVIDUALS	100,211,298	23.19%	23,993
TOTAL	**432,155,985**	**100%**	**25,140**



Foreign Investors	74.57%
Local Individuals	23.19%
Local Institutions	2.24%

WPP Scangroup Plc is committed to open and regular communication with its shareholders and other stakeholders. This is achieved through the following:

- Publication of interim and annual results in newspapers and the website, preparation of annual audited accounts and holding of the Annual General Meeting.
- Copies of the annual reports are availed to shareholders at least 21 days before the date of the Annual General Meeting. The shareholders have an opportunity to make queries to the Board at the meeting.
- The Company's shareholder management is handled through the Company Secretary and the share registrars. (NB: the company transitioned the shares registrar from Comprite Kenya Limited to Image Registrars Limited on 1 March 2023.
- The Company has online channels for interactions and information requests by shareholders, as well as sessions with institutional investors.

Going Concern

The Board confirms the financial statements are prepared on a going concern basis and is satisfied that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

This Corporate Governance Statement is current as at 27 April 2023 and has been approved by the Board of WPP Scangroup PLC.

Mr. Richard Omwela,
Chairman.

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

As the Chairman of the Board Nominations and Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022.

This report complies with regulations contained in the tenth schedule of the Kenyan Companies Act 2015 ("the Act") in relation to quoted companies Directors' Remuneration Report and the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 ("The CMA Code").

The key objective of the Committee is to make sure that the Board comprises of individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to review the remuneration of Directors and senior management as well as the succession planning at Board and senior leadership levels. The Committee's responsibilities have been set by the Board and are outlined in the Board Charter and the Terms of Reference of the Committee.

Directors' Remuneration Report

The Directors' Remuneration Report has been prepared to inform the shareholders on the remuneration payable to both the Executive and Non-Executive Directors.

Remuneration policy

The Company's current remuneration policy reflects a commitment to the following principles:

- The policy and its implementation drive the behaviours that support the Company's strategy and business objectives;
- A "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards when they are justified by business performance is maintained;
- The interests of our senior management team with those of shareholders are aligned by developing an approach to share ownership that helps to maintain commitment over the long-term;
- Competitive and fair rates of pay and benefits are offered.

Statement of Voting on the Directors Remuneration Report at the previous Annual General Meeting

During the Annual General Meeting held on 27th May 2022, the shareholders in attendance approved the Board Remuneration Policy and Directors' Remuneration Report for the year ended 31st December 2021.

DIRECTORS' REMUNERATION REPORT

The results on voting were as follows:

RESOLUTION	FOR	%	AGAINST	%	ABSTAINED	%	VERDICT
Directors' Remuneration: –							
a) To approve the Board Remuneration Policy as shown in the audited Financial Statements for the year ended 31 December 2021.	243,873,050	99.25%	1,769,560	0.72%	62,540	0.03%	PASSED
b) To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 31 December 2021.	243,859,790	99.25%	1,775,100	0.72%	69,060	0.03%	PASSED

At the Annual General Meeting to be held on 30th June 2023, the shareholders will also consider the Directors' Remuneration Report for the year ended 31 December 2022.

Executive Director

The remuneration for the Executive Directors is based on the Reward Policy which was revised and adopted on 18th November 2022. As per the Reward Policy, Executive Directors are paid as per negotiated employment contracts and are eligible for staff benefits. They also participate in the Company's performance schemes. They do not receive board sitting allowances.

According to the Reward Policy, salary increments are based on the achievement of Key Performance Indicators agreed at the beginning of every year between the Company and the employee. Salary reviews are therefore performance based and are also adjusted for inflation. The Company also ensures that remuneration is aligned to the market and are competitive to attract and retain skilled staff.

There is a performance-based bonus which is paid from the Company's profit. A percentage of the Company's profit is shared amongst employees according to their individual performance. The bonus pool is approved by the Board upon recommendation by the Board Nominations and Remuneration Committee. The Committee approved a new bonus structure during the year.

There was only one Executive Director during the year under review.

Service contracts and policy on payment for loss of office

Executives have rolling employment contracts. The contracts provide for payment of outstanding pay and bonus, or termination following changes in the Company.

Payments to past Directors

There was no payment of Directors' fees to past directors during the year.

Non-Executive Directors

The Company's Non-Executive Directors are compensated in the form of fees but are not entitled to any pension, bonus or long-term incentives such as performance share plans. The package covers a director's role in the Board, any Board Committee(s) and any other activities as identified in the approved compensation schedule and in line with the Non-Executive Directors' Remuneration policy.

DIRECTORS' REMUNERATION REPORT

There was no change to the non-executive Directors remuneration policy since its approval at the Annual General Meeting held on 27th May 2022 save for the review of the compensation scale in April 2022 done in accordance with the policy.

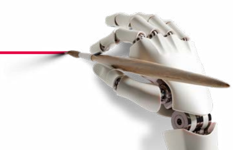
Non – Executive Directors who hold executive roles within the wider WPP Global are paid as per negotiated employment contracts with WPP. They do not receive Board remuneration in the Company.

Directors' Remuneration Summary 2022

Board Member	Position	Salary	Allowances	Fees	Value of non-cash benefits	Total
Ms. Patricia Ithau	Executive Director	31,304,000	8,703,000	-	2.295,000	42,302,000
Mr. Richard Omwela	Chair NED	-	-	4,300,000	-	4,300,000
Mr. Pratul Henraj Shah	INED	-	-	500,000	-	500,000
Mr. Jonathan Eggar	NED	-	-	-	-	-
Mr. Shahid Sadiq	NED	-	-	-	-	-
Mr. Dominic Grainger	NED	-	-	-	-	-
Ms. Patricia Kiwanuka	INED	-	-	1,500,000	-	1,500,000
Ms. Beverly Spencer-Obatoyinbo	INED	-	-	1,500,000	-	1,500,000
Mr. Peter Kimurwa	INED	-	-	1,700,000	-	1,700,000
Mr. Federico De Nardis	NED	-	-	-	-	-
Mr. Andrew Payne	NED	-	-	-	-	-
Ms. Tebogo Skwambane	NED	-	-	-	-	-
Total		**31,304,000**	**8,703,000**	**9,500,000**	**2,295,000**	**51,802,000**

Directors' Remuneration Summary 2021

Board Member	Position	Salary	Allowances	Fees	Value of non-cash benefits	Total
Mr. Bharat Thakar	Executive Director	23,845,000	5,375,000	-	1,773,000	30,993,000
Mr. Satyabrata Das	Executive Director	9,856,000	2,430,000	-	632,000	12,918,000
Mr. Richard Omwela	NED	-	-	3,950,000	-	3,950,000
Mr. Pratul Hemraj Shah	NED	-	-	2,300,000	-	2,300,000
Mr. Jonathan Eggar	NED	-	-	-	-	NIL
Mr. Shahid Sadiq	NED	-	-	-	-	NIL
Mr. Dominic Grainger	NED	-	-	-	-	NIL
Total		**33,701,000**	**7,805,000**	**6,250,000**	**2,405,000**	**50,161,000**



DIRECTORS' REMUNERATION REPORT

Directors' Remuneration Summary 2020

Board Member	Position	Salary	Allowances	Fees	Value of non-cash benefits	Total
Mr. Bharat Thakar	Executive Director	72,044,000	9,723,000	-	7,091,000	88,858,000
Mr. Satyabrata Das	Executive Director	26,662,000	8,818,000	-	1,896,000	37,376,000
Mr. Richard Omwela	NED	-	-	6,140,000	-	6,140,000
Mr. Pratul Hemraj Shah	NED	-	-	4,264,000	-	4,264,000
Ms. Patricia Ithau	NED	-	-	3,100,000	-	3,100,000
Total		**98,706,000**	**18,541,000**	**13,504,000**	**8,987,000**	**139,738,000**

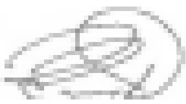
The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Aggregated amounts of emoluments and fees paid to directors are disclosed in Note 10 of the Financial Statements.

It is the view of the Committee and the Board that the Company's reward arrangements best support our business effectiveness by only delivering above target payouts when this is justified through Company performance and the current Board Remuneration and Reward policies will support the implementation of the Company's short-term and long-term objectives.

Approval by shareholders

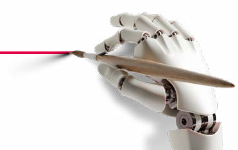
The Annual Remuneration Report will be put forward for your consideration and approval by vote at the Annual General Meeting to be held on 30th June 2023 as per section 681 (4) of the Kenyan Companies Act, 2015.

We highly value the engagement from our shareholders and look forward to welcoming you and receiving your support again at the AGM this year.



Mr. Richard Omwela,
Chairman

27 April 2023



THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS

Mr Richard Omwela (67)
Chairman, Non- Executive Director

Appointed: *14/11/2005*

Richard, an advocate of the High Court of Kenya, holds a Bachelor's Degree in Law (LLB, Hons) from the University of Nairobi. Richard is the Senior Partner of Dentons Hamilton Harrison and Mathews Advocates. He is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

Ms. Patricia Ithau (57)
CEO, Executive Director

Appointed: *14/03/2022*

Patricia brings more than 30 years of experience in senior leadership roles overseeing the expansion of leading consumer brands in Africa, at companies including Unilever, Diageo/East African Breweries Ltd and L'Oréal. She also has extensive experience supporting enterprise building and transformation of the small and medium enterprise ecosystem across sub-Sahara Africa through her role at the Stanford Institute for Innovation in Developing Economies – Seed.

She holds a number of board positions at organisations such as ABSA Bank Kenya PLC, Jambojet Ltd, British Chamber of Commerce and Industry, Vivo Activewear Ltd and is a Trustee on the Boards of Vodafone Foundation UK and M-Pesa Foundation Kenya.

Mr Jonathan Eggar (48)
Non-executive director

Appointed: *29/05/2015*

Jon is a qualified ACA from the Institute of Chartered Accountants of England and Wales and joined WPP-Scangroup in January 2014. Prior to this he had spent 12 years with the WPP Group in various capacities, the most recent being CFO – International Specialist Communications. This role allowed him to develop relationships within many parts of the WPP Group and this knowledge and experience is being utilised by WPP-Scangroup as we expand our operations with various WPP partners. Jon is a qualified ACA from the Institute of Chartered Accountants of England and Wales and joined WPP-Scangroup in January 2014.

THE BOARD OF DIRECTORS

Mr Shahid Sadiq (48)
Non-executive director

Appointed: *08/02/2021*

Shahid is a Chartered Accountant with 20 years of experience in the marketing communications industry. In his current role as Global CFO of WPP Specialist Communications and PR, Shahid is responsible for developing and managing the strategic financial and operational objectives of a diverse and complex portfolio of companies. Prior to this, Shahid served as CFO and Chief Operating Officer EMEA at Geometry Global.

Before his time at WPP, Shahid spent 10 years at McCann Worldgroup EMEA moving through a variety of progressively senior finance roles, up to Regional CFO. As CFO of a region of both developed and emerging markets, he's adept at navigating the complexity, varying cultures, and high-growth potential that characterised the region.

Mr Dominic Grainger (57)
Non-executive director

Appointed: *26/07/2018*

Dominic is Chief Executive Officer of WPP's Specialist Communications & PR group of companies. This portfolio of companies comprises various individual businesses with distinct marketing expertise which operate independently within the group working closely with WPP clients and global agencies.

Prior to 2019 Dominic was CEO of GroupM, Europe, Middle East and Africa. GroupM is the leading media investment company in the world and comprises all WPP's media businesses. Dominic was President of the European Association of Communications Agencies from 2016 to 2020.

Dominic leads WPP's Sports practice, the global entry point to WPP's sports marketing services and solutions.

He also currently serves on a number of boards including the supervisory boards of public companies, Syzygy AG and HighCo SA.

THE BOARD OF DIRECTORS

Ms Beverley Spencer-Obatoyinbo (57)
Independent, Non-executive

Appointed: *31/03/2022*

Ms. Spencer-Obatoyinbo is a highly experienced business leader with an extensive background working in emerging market environments and across diverse sectors including FMCG, pharmaceutical manufacturing and healthcare. She delivered business transformation and growth during her 25-year career at British American Tobacco where she oversaw business units in Nigeria, Egypt, Switzerland, and more recently, Kenya, where she is permanently based. Ms. Spencer-Obatoyinbo joined BAT from GSK and previously worked in the UK's National Health Service. She holds a Customer-Focused Innovation Diploma from Stanford University Graduate School of Business, an Advanced Strategic Management Diploma from IMD Business School and a Marketing Diploma from The Chartered Institute of Marketing.

Ms Patricia Kiwanuka (47)
Independent non-executive director

Appointed: *31/03/2023*

Ms. Kiwanuka is an accomplished financial services and management expert, currently Managing Director of Revenue Stream Limited. She has worked for more than 20 years in Eastern Africa at leading financial institutions including Old Mutual Group, Sanlam (formerly AIG Investments) and Zamara (Alexander Forbes) Financial Services. Ms. Kiwanuka holds board positions at NSE Clear Ltd and AAR Insurance Kenya. She is a trustee on the board of Banki Kuu (CBK) Scheme and Council Member United States International University – Africa. She is a CFA(R) Charter holder and member of the CFA Institute – USA, a Council member of the Institute of Certified Financial Analysts, ICIFA – Kenya. She holds a Master of Business Administration (Finance), Masters in Counselling Psychology and a Bachelor of Science Degree (Actuarial Science/Statistics) and attended executive management course at INSEAD Business School.

THE BOARD OF DIRECTORS

Mr Peter Kimurwa (52)
Independent, Non-executive director

Appointed: *31/03/2023*

Mr. Kimurwa is currently the Chief Executive Officer at Arc Skills Kenya, and brings a wealth of experience in finance, business development and strategy, having held senior leadership positions at some of Kenya's leading companies; The Industrial & Commercial Development Corporation (ICDC), Linksoft Communications Systems Limited (LCS), East African Breweries Limited (EABL), BOC Kenya Limited, British American Tobacco Eastern Africa (BATEA) and PricewaterhouseCoopers. He holds board positions at Old Mutual Investment Group (OMIG) and UAP Insurance South Sudan. He is the chair of the Audit and Risk Management Committee of the the WPP Scangroup Board. Mr. Kimurwa is a Certified Public Accountant and received a Bachelor of Commerce from Kenyatta University and an MBA from INSEAD.

Mr Federico De Nardis (62)
Non-executive Director

Appointed: *31/03/2022*

Mr. de Nardis has spent more than 30 years in the communications and marketing industry working in agencies including Saatchi & Saatchi, Maxus (now Wavemaker) and GroupM, where he is currently Chief Executive Officer for Sub-Saharan Africa, based in South Africa. In his current role he's been sponsoring the launch of the GradX Africa Academy to train graduates in Media at 360 in all major markets in Sub-Saharan Africa. He understands the needs of clients, having also worked at Fiat Group, and is an entrepreneurial leader; he founded Alchera, one of Italy's first digital agencies, and during his time at Maxus, helped the agency to expand, open new offices and achieve double-digit growth. Mr. de Nardis received his BA from the University of Rome, studied in New York as a postgraduate at Pace University and holds a Master's in Management from Isvor Fiat, Fiat Group's training institution.

THE BOARD OF DIRECTORS

Ms Tebogo Skwambane (53)
Non-executive Director

Appointed: *31/03/2022*

Ms. Skwambane is WPP's Country Manager for South Africa and Chief Strategy Officer at Smollan. She has extensive board experience and is currently a non-executive director at Sphere Holdings and African Parks Network. Ms. Skwambane has more than 20 years' experience as a strategy and management consultant serving major clients in the public and private sectors across the Eastern Europe, Middle East and Africa regions. She started her career at Bain & Company and founded North Road Consulting, before moving into global partner roles at Monitor Consulting and McKinsey & Company. Ms. Skwambane has also worked at International Finance Corporation, World Bank in Washington D.C. and Brown Brothers Harriman and Company in Boston and completed her MBA at Harvard Business School and her BA at Dartmouth College. She has been an African Leadership Institute and Aspen Global Leadership Fellow and was selected as a World Economic Forum Young Global Leader in 2011.

Mr Andrew Payne (66)
Non-executive Director

Appointed: *05/08/2022*

Andrew Payne has about 36 years experience within the advertising and media industry with a wide understanding of management accounting and financial perspectives in the areas of digital, shopper marketing, data, out of home and technology build. He has had close interactions with WPP Scangroup since 2010. He is the Group Associates Controller in WPP 2005 Ltd a position he has held since 2008. Prior to this, he held the position of Chief Operating Officer and CFO Kantar Media USA (2002 – 2008) and Deputy Chief Financial Officer Kantar Media (1998 – 2002).

He has been a board member on various boards and currently serves as a member of the Supervisory Board of Syzygy AG since 2018.

He holds a BA Economics and Politics, University of Durham and is a Fellow of Chartered Institute of Management Accountants.

THE BOARD OF DIRECTORS

Ms Winniefred Jumba (51)
Company Secretary

Appointed: *23/04/2021*

Winnie has over twenty years of experience as a practicing Certified Public Secretary and a Corporate Governance expert. She is an experienced and dedicated Company Secretary with additional specializations in Corporate Governance services, Legal and Governance audits and Bond Trustee/Security agency services and general compliance matters.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 27 April 2023 and signed on its behalf by:

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Richard Omwela
Director

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Patricia Ithau
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

Deloitte.

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Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the accompanying consolidated and company financial statements of WPP Scangroup Plc ("the Group") set out on pages 55 to 110, which comprise the consolidated and company statements of financial position as at 31st December 2022, 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 and other explanatory information.

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 31th December 2022 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

Key audit matter	*How our audit addressed the key audit matter*
Valuation of Investment in Subsidiaries As disclosed in note 16 of the of the consolidated and company financial statements, as at 31 December 2022, the investments in subsidiaries was Ksh 1,415,897,000 (2021: Ksh 1,553,620,000) representing 88% (2021: 87%) of the non-current assets of the company and 20% (2021: 21%) of the total assets of the company. During the year an impairment provision of Ksh 137,723,000 (2021: Ksh 140,988,000) was made against these investments. The Company assesses the recoverable amount of its investment in subsidiaries against the carrying value to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the company applies the requirements of IAS 36: Impairment of Assets in assessing the carrying amount of the investment. This process includes comparing the recoverable amount of the investment to its carrying value. Due to the level of judgement and estimation relating to the impairment assessment of investment in subsidiaries, the valuation of investment in subsidiaries is considered to be a key audit matter. The directors conduct annual impairment tests to assess the recoverability of the carrying value of investments in subsidiaries using discounted cash flow models. As disclosed in note 6 and note 16 to the consolidated and company 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: • Estimation of the future cash flows expected to be generated by the subsidiaries, • The discount rates applied to the projected future cash flows to arrive at the present value, and • Growth rates applicable to the subsidiaries based on directors' view of future business prospects. Accordingly, the determination of the recoverable amount of investments in subsidiaries requires the directors' use of significant judgement and estimations and we therefore considered it to be a key audit matter.	We performed sensitivity analysis on the inputs into the cash flow models in order to determine which assumptions were most sensitive. Our procedures included challenging the directors on the reasonableness of the discounted cash flow model and other qualitative considerations and assumptions used to determine the charges to profit or loss through performing the following audit procedures: • We engaged our internal fair value specialists to assist with: o Assessing the methodology used in preparing the impairment testing model; o Critically evaluating whether the model used by the directors to calculate the recoverable values of the subsidiaries and whether it complies with the requirements of *IAS 36, Impairment of Assets; and* o Reviewing the assumptions used to calculate the growth and discount rates and assessing these rates for reasonableness. • Analysed the projected cash flows and the key assumptions used in projecting the cash flows. The key assumptions are annual growth rates, long-term growth rates and discount rates. • Reviewed the sensitivities disclosed in the notes to the financials. • Tested the integrity and mathematical accuracy of the impairment model and agreeing relevant input data to independent sources (where applicable). Based on our audit, the judgements made by directors are appropriate and the disclosure is in terms of IFRS.

Other Information

The other information comprises the Corporate information, Report of the directors, Corporate governance statement, Directors' remuneration report, The Board of Directors information and Statement of directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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 have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 separate financial statements, the directors are responsible for assessing the Group's and the 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 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 scepticism 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.
- 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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

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 24 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 37 to 41 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Eshak Adam Harunani, Practising Certificate No. A/0018.**

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

27 April 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		CONSOLIDATED		COMPANY	
All figures in Ksh'000	**NOTES**	**2022**	**2021**	**2022**	**2021 restated**
Revenue	7	7,317,541	7,596,164	1,422,113	1,256,664
Direct costs		(5,121,736)	(5,243,923)	(1,356,973)	(1,154,707)
Gross profit		2,195,805	2,352,241	65,140	101,957
Interest income	8	220,035	224,380	195,707	203,903
Interest expense	8	(18,360)	(18,833)	(11,653)	(11,187)
Other income	9	368,246	16,885	114,488	73,937
Share of profit in associates	17	18,967	5,337	18,967	4,822
Operating and administrative expenses		(2,545,206)	(2,464,381)	(196,064)	(88,813)
Impairment of investment in subsidiaries *	16	–	–	(137,723)	(140,988)
Impairment of investment in associates	17	(21,392)	(29,921)	(18,967)	(4,822)
Allowance for expected credit loss	10	11,562	20,975	22,122	(31,944)
Foreign exchange gains / (losses)		145,870	27,400	36,235	(4,381)
Profit before tax	10	375,527	134,083	88,252	102,484
Tax charge	11	(300,288)	(172,023)	(68,255)	(37,108)
Profit / (loss) for the year		75,239	(37,940)	19,997	65,376
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations		(81,097)	(4,458)	–	–
Total comprehensive (loss) / income for the year		(5,858)	(42,398)	19,997	65,376
Profit / (Loss) attributable to:					
Shareholders of the holding company		61,453	(19,372)	19,997	65,376
Non-controlling interests		13,786	(18,568)	–	–
		75,239	(37,940)	19,997	65,376
Total comprehensive (loss) / income attributable to:					
Shareholders of the holding company		(9,486)	(26,988)	19,997	65,376
Non-controlling interests		3,628	(15,410)	–	–
		(5,858)	(42,398)	19,997	65,376
Earnings / (loss) per share					
Basic (Ksh) *	13	0.14	(0.04)	0.05	0.15
Diluted (Ksh) *	13	0.14	(0.04)	0.05	0.15

See note 36 for details regarding the restatement.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

All figures in Ksh'000	NOTES	CONSOLIDATED 31 DECEMBER 2022	CONSOLIDATED 31 DECEMBER 2021	COMPANY 31 DECEMBER 2022	COMPANY 31 DECEMBER 2021 Restated	COMPANY 31 DECEMBER 2020 Restated
ASSETS						
Non-current assets						
Equipment	14	141,294	151,858	55,691	56,720	78,982
Right-of-use assets	15	117,164	132,303	34,934	59,870	83,000
Investment in subsidiaries *	16	–	–	1,415,897	1,553,620	1,694,608
Investments in associates and other equity investment	17	7,688	9,923	–	–	–
Long term loans to related companies	18	24,604	24,577	24,604	24,577	88,305
Deferred tax asset	19	508,889	502,778	78,324	86,872	62,797
Goodwill	20	23,367	23,367	–	–	–
		823,006	844,806	1,609,450	1,781,659	2,007,692
Current assets						
Trade and other receivables	21	2,514,817	3,291,057	295,802	429,278	582,932
Work-in-progress	22	25,204	21,079	–	–	–
Receivable from related parties	18	380,273	376,653	2,634,538	2,138,299	1,781,288
Tax recoverable	11.3	978,166	959,719	66,048	62,277	45,712
Fixed deposits with bank (maturing after 3 months) **	23 (c)	2,523,089	2,634,082	2,451,589	2,563,940	1,978,451
Cash, bank and deposits balances **	23 (b)	970,074	1,317,387	790	340,223	721,925
		7,391,623	8,599,977	5,448,767	5,534,017	5,110,308
TOTAL ASSETS		**8,214,629**	**9,444,783**	**7,058,217**	**7,315,676**	**7,118,000**
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	25	432,156	432,156	432,156	432,156	432,156
Share premium	26	4,436,532	4,436,532	4,436,532	4,436,532	9,155,166
Merger reserve	27	1,457,248	1,457,248	1,492,951	1,615,674	–
Accumulated deficit		(722,677)	(784,130)	(119,218)	(261,938)	(3,430,274)
Translation deficit		(413,954)	(343,015)	–	–	–
Equity attributable to shareholders of the holding company		5,189,305	5,198,791	6,242,421	6,222,424	6,157,048
Non-controlling interests		(16,165)	1,606	–	–	–
Total equity		5,173,140	5,200,397	6,242,421	6,222,424	6,157,048
Non-current liabilities						
Deferred tax liability	19	188	2,591	–	–	–
Lease liabilities	28	63,688	95,626	7,577	40,902	67,922
		63,876	98,217	7,577	40,902	67,922
Current liabilities						
Trade and other payables	29	2,616,088	3,686,310	305,240	630,260	542,218
Tax payable	11.3	95,754	151,008	–	–	–
Payable to related parties	18	139,078	194,968	403,271	328,493	245,688
Lease liabilities	28	58,140	47,052	31,155	26,766	22,779
Bank overdraft	23 (b)	26,574	–	26,574	–	–
Dividends payable	30	41,979	66,831	41,979	66,831	82,345
		2,977,613	4,146,169	808,219	1,052,350	893,030
TOTAL EQUITY AND LIABILITIES		**8,214,629**	**9,444,783**	**7,058,217**	**7,315,676**	**7,118,000**

**See note 36 for details regarding the restatement.*

***Please refer to note 23 (b) and 23(c) for explanation of the reclassification processed in the current year*

The financial statements on pages 55 to 110 were approved and authorised for issue by the Board of Directors on 27th April 2023 and were signed on its behalf by:

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Richard Omwela
Director

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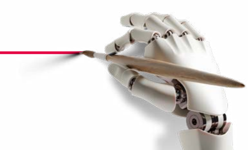
Patricia Ithau
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

All figures in Ksh'000	Note	Share capital	Share premium	Merger reserve	Accumulated deficit	Translation deficit	Attributable to share holders of the holding company	Non-controlling interests	Total
At 1 January 2021		432,156	9,155,166	–	(4,026,144)	(335,399)	5,225,779	41,742	5,267,521
Transfer to Merger Reserve	26	–	(4,718,634)	4,718,634	–	–	–	–	–
Loss for the year		–	–	–	(19,372)	–	(19,372)	(18,568)	(37,940)
Other comprehensive loss		–	–	–	–	(7,616)	(7,616)	3,158	(4,458)
Transfer to accumulated deficit from Merger Reserve	27	–	–	(3,261,386)	3,261,386	–	–	–	–
Dividend declared – 2021		–	–	–	–	–	–	(24,726)	(24,726)
At 31 December 2021		**432,156**	**4,436,532**	**1,457,248**	**(784,130)**	**(343,015)**	**5,198,791**	**1,606**	**5,200,397**
At 1 January 2022		432,156	4,436,532	1,457,248	(784,130)	(343,015)	5,198,791	1,606	5,200,397
Profit for the year		–	–	–	61,453	–	61,453	13,786	75,239
Other comprehensive loss		–	–	–	–	(70,939)	(70,939)	(10,158)	(81,097)
Dividend declared – 2022		–	–	–	–	–	–	(21,399)	(21,399)
At 31 December 2022		**432,156**	**4,436,532**	**1,457,248**	**(722,677)**	**(413,954)**	**5,189,305**	**(16,165)**	**5,173,140**

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

- Accumulated deficit represents accumulated profits or loss retained by the company after payment of dividend to the shareholders.
- The translation deficit represents the cumulative position of translation gains or losses arising from conversion of net assets of foreign subsidiary companies to the reporting currency.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

All figures in Ksh'000	NOTES	Share capital	Share premium	Merger reserve	Accumulated deficit	Total
At 1 January 2021 as previously reported		432,156	9,155,166	–	(3,545,449)	6,041,873
Adjustment for excess impairment		–	–	–	115,175	115,175
At 1 January 2021 as restated		432,156	9,155,166	–	(3,430,274)	6,157,048
Transfer to Merger Reserve	26	–	(4,718,634)	4,718,634	–	–
Profit for the year		–	–	–	65,376	65,376
Transfer from accumulated deficit to Merger Reserve – restated	27	–	–	(3,102,960)	3,102,960	–
At 31 December 2021 – restated		**432,156**	**4,436,532**	**1,615,674**	**(261,938)**	**6,222,424**
At 1 January 2022		432,156	4,436,532	1,615,674	(261,938)	6,222,424
Profit for the year		–	–	–	19,997	19,997
Transfer to accumulated deficit from Merger Reserve	27	–	–	(122,723)	122,723	–
At 31 December 2022		**432,156**	**4,436,532**	**1,492,951**	**(119,218)**	**6,242,421**

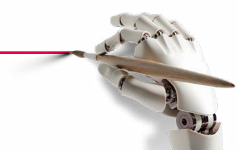
The reserve accounts included in the Statement of Changes in Equity are explained below:

- Accumulated deficit represent accumulated profits or loss retained by the company after payment of dividend to the shareholders.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		CONSOLIDATED		COMPANY	
All figures in Ksh'000	**NOTES**	**2022**	**2021**	**2022**	**2021 restated**
Cash (used in) / generated from operating activities after working capital changes	24	(122,777)	260,423	(576,030)	22,739
Tax paid on operating income		(350,941)	(204,416)	(31,931)	(49,027)
Net cash (used in) / generated from operating activities		(473,718)	56,007	(607,961)	(26,288)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	14	(33,332)	(31,243)	(14,540)	(2,375)
Proceeds from sale of equipment		4,824	11,532	969	10,513
Fixed deposits placed (maturing after 3 months)*		(2,450,992)	(2,574,133)	(2,382,931)	(2,506,185)
Fixed deposits matured (maturing after 3 months)*		2,574,133	1,916,726	2,506,185	1,916,726
Dividend received		–	–	26,822	63,617
Interest received net of tax		197,337	181,730	178,798	165,576
Net cash generated from / (used in) investing activities		291,970	(495,388)	315,303	(352,128)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans repaid from a related company		–	61,332	–	61,332
Dividends paid including tax on dividend		(48,497)	(45,988)	(24,852)	(15,514)
Repayment of lease liabilities	28	(82,757)	(78,165)	(33,025)	(29,099)
Interest paid		(6,559)	(5,260)	(7,564)	(5,121)
Net cash (used in) / generated from financing activities		(137,813)	(68,081)	(65,441)	11,598
Net decrease in cash and cash equivalents		(319,561)	(507,462)	(358,099)	(366,818)
MOVEMENT IN CASH AND CASH EQUIVALENTS					
At the beginning of the year		1,334,344	1,854,860	332,315	699,133
Net decrease during the year	28	(319,561)	(507,462)	(358,099)	(366,818)
Effect of fluctuations in exchange rates		(68,595)	(13,054)	–	–
Cash and cash equivalents at end of the year	23 (a)	946,188	1,334,344	(25,784)	332,315

**Please refer to note 23 for reclassification.*



NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The consolidated and the company financial statements of WPP Scangroup PLC for the year ended 31 December 2022 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, 2015. For the purposes of the Kenyan Companies Act, 2015, 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 and the company financial statements have been prepared under the historical cost basis of accounting. Except for certain financial instruments that are measured at 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 and the company financial statements is determined on such a basis.

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 and the company 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 2022. 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:

- 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.

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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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 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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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 gross proceeds 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 customers, 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.

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. 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 Group is and acts as a principal as it controls 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. Revenues 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 gross of direct costs, commissions, fees, incentive-based revenue or a combination of all, 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.

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.

4.5.3. 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 and the company 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 and the company 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.

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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.

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 the company 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. 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).

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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 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) 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. 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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

(ii) **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.

Impairment

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.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. 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.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost.

4.10 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.

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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. 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. Employee benefits

4.11.1. 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.

4.11.2. 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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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.

4.11.3 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.

4.12. 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.

4.13. Comparative amounts

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. A reclassification has been made to the statement of financial position for the year ended 31 December 2021, to disclose separate cash and cash equivalents and fixed deposits with maturity of more than 3 months as required by IAS 1 paragraph 54. This change in classification does not affect total current assets and amounts reported in the statement of cash flows. Therefore, the directors have also not deemed it necessary to present a third column of the statement of financial position in respect of this reclassification to show the reclassified position at the beginning of the preceding period.

A reclassification has also been done to disclose placements and maturities of fixed deposits (maturing after 3 months) on a gross basis as opposed to a net basis. There is no impact on the overall cash and cash equivalents and also no change on net cash generated from / (used in) investing activities for the year ended 31 December 2021.

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5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS

The accounting policies adopted are consistent with those followed in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2021 except for new standards, amendments and interpretations effective 1 January 2022. The nature and impact of each new standard/ amendment are described below.

i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2022*

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Group's financial statements.

The following revised IFRSs were effective in the current year and the nature and the impact of the relevant amendments are described below.

Amendments to IAS 16 – Property, Plant and Equipment- Proceeds before intended use	These are amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The amendment did not have a material impact on the financial statements of the Group and the Company.
Amendments to IAS 37: Onerous Contracts- Cost of Fulfilling a Contract	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendment did not have a material impact on the financial statements of the Group and the Company.
Amendments to IFRS 3: Reference to the Conceptual Framework	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The changes in Reference to the Conceptual Framework are as follows; a) Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; b) Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and c) Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier. The amendment did not have a material impact on the financial statements of the Group and the Company.

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ii) Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards.	The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).
IFRS 9 Financial Instruments	The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
IFRS 16 Leases	The amendment removes the illustration of the reimbursement of leasehold improvements.
IAS 41 Agriculture	The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

iii) Impact of new and amended standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, the Group has not yet applied the following new and revised IFRS Standards that have been issued but are not yet effective.

New and Amendments to standards	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	1 January 2023, with early application permitted.
IFRS 17: *Insurance Contracts*	1 January 2023
Amendments to IAS 1 *Classification of liabilities as current or non-current*	1 January 2023, with earlier application permitted
Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies	1 January 2023, with earlier application permitted
Amendments to IAS 8: *Definition of accounting estimates*	1 January 2023, with earlier application permitted
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single*	1 January 2023, with earlier application permitted
Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*	1 January 2024, with earlier application permitted

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IFRS 17 Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. In June 2021, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The amendment did not have a material impact on the financial statements of the Group and the Company.
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. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The directors of the Bank anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods should such transactions arise.

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Amendments to IAS 1-Classification of Liabilities as Current or Non-current	The amendments aim at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted. The amendment did not have a material impact on the financial statements of the Group and the Company.
Amendments to IAS 8: Definition of accounting estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The changes to IAS 8 focus entirely on accounting estimates and clarify the following: a) The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". b) Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. c) The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. d) A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendment did not have a material impact on the financial statements of the Group and the Company.

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Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted. The amendment did not have a material impact on the financial statements of the Group and the Company.
Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways: a) An entity is now required to disclose its material accounting policy information instead of its significant accounting policies; b) several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; c) the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and d) the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The amendment did not have a material impact on the financial statements of the Group and the Company.

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Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed. The amendment did not have a material impact on the financial statements of the Group and the Company.

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.

Recoverability of deferred tax losses

The carrying amount of deferred tax assets is reviewed at each balance date 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. The significant judgement and estimate include growth rates applicable to the subsidiaries based on directors' view of future business prospects.

Investment in subsidiaries

The Company assesses the carrying value of its investment in subsidiaries undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Company applies the requirements of IAS 36 in assessing the carrying amount of the investment. This process includes comparing its recoverable amount with the carrying value. The recoverable amount is defined as the higher of fair value less costs to sell and value in use. The significant accounting judgements and estimates include below:

- Estimation of the future cash flows expected to be generated by the subsidiaries,
- The discount rates applied to the projected future cash flows to arrive at the present value, and
- Growth rates applicable to the subsidiaries based on directors' view of future business prospects.

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Expected Credit Loss

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's Expected Credit Losses (ECL) calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Historical default and expected loss rates;
- The Group's criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulas and the choice of inputs.

7. REVENUE

The Group and Company's revenue are derived in the following markets:

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Kenya (including export sales)	4,452,852	5,028,435	1,422,113	1,256,664
Rest of Africa				
Uganda	922,644	743,578	–	–
Tanzania	758,566	638,053	–	–
South Africa	180,249	122,574	–	–
Ghana	367,435	386,910	–	–
Nigeria	153,376	153,136	–	–
Others	482,419	523,478	–	–
	7,317,541	7,596,164	1,422,113	1,256,664

8. INTEREST INCOME AND INTEREST EXPENSE

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Interest income				
Interest on deposits	217,699	221,528	195,674	201,076
Interest on related party loan	2,306	2,852	33	2,827
Other interest income	30	–	–	–
	220,035	224,380	195,707	203,903
Interest expense				
Interest expense on bank overdraft	6,559	5,260	7,564	5,121
Interest on lease liabilities	11,801	13,573	4,089	6,066
	18,360	18,833	11,653	11,187

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

9. OTHER INCOME

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Profit on disposal of assets	2,407	5,858	774	3,048
Cash discount	679	3,748	246	890
Dividend income from subsidiaries	–	–	26,822	63,617
Miscellaneous income *	365,160	7,279	86,646	6,382
	368,246	16,885	114,488	73,937

**Miscellaneous income includes Ksh 362,357,000 (for the Group) and Ksh 86,646,000 (for the Company) mainly related to long outstanding accruals and other liabilities which management determines not payable now.*

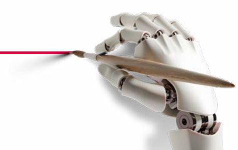
10. PROFIT / (LOSS) BEFORE TAX

The profit / (loss) before tax is arrived at after charging / (crediting):

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Staff costs				
– Salaries and wages	1,506,883	1,504,689	261,090	250,412
– Social security	55,552	65,615	7,943	7,443
– Medical expenses	89,828	75,498	26,652	22,186
– Leave pay	9,086	10,962	(398)	1,864
– Other staff costs *	199,840	370,299	32,975	58,431
	1,861,189	2,027,063	328,262	340,336
Depreciation on equipment	38,579	41,444	15,374	17,172
Depreciation on right-of-use assets	62,237	60,395	24,936	23,130
Allowance for expected credit loss **	(11,562)	(20,975)	(22,122)	31,944
Auditors' remuneration	30,273	34,466	2,659	14,585
Directors' remuneration				
non- executive directors' emoluments	15,139	13,960	9,500	6,250
executive directors' emoluments	41,116	41,506	41,116	41,506

**Other staff costs mainly related to freelancers, consultants and recharges by related companies*

***Allowance for expected credit loss (ECL) for the Group includes a provision for trade receivables of Ksh 28,257,000 (2021: reversal of provision of Ksh 75,437,000), reversal of provision for bank balances and short term deposits with banks of Ksh 28,055,000 (2021: provision of 30,858,000), for fixed deposits (maturing after 3 months) Ksh 11,764,000 (2021: provision Ksh 23,604,000). Allowance for expected credit loss (ECL) for the Company includes reversal of provision for trade receivables of Ksh 4,489,000 (2021: provision of Ksh 3,484,000), reversal of provision for bank balances and short term deposits with banks of Ksh 5,366,000 (2021: provision of 5,366,000), for fixed deposits (maturing after 3 months) Ksh 12,267,000 (2021: provision Ksh 23,094,000).*



NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

11. TAXATION

11.1. Tax charge

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Current taxation based on the adjusted profit				
For companies at 30%	121,987	132,831	59,394	61,185
For companies charged at different rates	78,767	54,293	–	–
Corporate tax recoverable provided *	114,428	–	313	–
Prior year over provision	(4,657)	(2,098)	–	(2)
	310,525	185,026	59,707	61,183
Deferred tax				
- current year (credit) / charge (Note 19)	(1,550)	(9,064)	8,548	11,003
- deferred tax on tax losses derecognised	6,171	40,775	–	–
- recognition of deferred tax asset on losses previously derecognised	(1,377)	(43,380)	–	(35,078)
- prior year over provision	(13,481)	(1,334)	–	–
	(10,237)	(13,003)	8,548	(24,075)
	300,288	172,023	68,255	37,108

It includes provision related to old withholding tax recoverable

11.2. Reconciliation of expected tax based on accounting profit / (loss) to tax charge

All figures in Ksh'000	CONSOLIDATED		COMPANY		
	2022	2021	2022	2021 restated	2021 before adjustment
Accounting profit/ (loss) before taxation	375,527	134,083	88,252	102,484	152,090
Tax at the applicable rate of 30%	112,658	40,225	26,476	30,745	45,627
Effect of expenses not deductible for tax purposes	101,576	158,893	49,513	60,528	45,646
Effect of companies charged at different rates	(17,276)	(26,806)	–	–	–
Effect of income not taxable	–	–	(8,047)	(19,085)	(19,085)
Corporate tax recoverable provided	114,428	–	313	–	–
Deferred tax on tax losses derecognised	6,171	40,775	–	–	–
Recognition of deferred tax asset on losses previously derecognised	(1,377)	(43,380)	–	(35,078)	(35,078)
Tax paid on intercompany dividend income	2,246	5,748	–	–	–
Prior years over provision-deferred tax	(13,481)	(1,334)	–	–	–
Prior years over provision-income tax	(4,657)	(2,098)	–	(2)	(2)
	300,288	172,023	68,255	37,108	37,108

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

11.3. Movement in net of tax recoverable and tax payable

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
At beginning of year	808,711	743,274	62,277	45,712
Tax paid	387,599	241,731	63,478	77,748
Charge for the year	(310,525)	(185,026)	(59,707)	(61,183)
Effect of exchange rate difference	(3,373)	8,732	–	–
At the end of the year	882,412	808,711	66,048	62,277
Breakup of net tax recoverable				
Tax recoverable	978,166	959,719	66,048	62,277
Tax payable	(95,754)	(151,008)	–	–
	882,412	808,711	66,048	62,277

12. SEGMENTAL REPORTING

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

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 Gross revenue contribution per region.

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2022:

All figures in Ksh'000

Income statement	Segment revenue	Segment operating loss	Share of profit of associates	Interest income	Interest expense	Other gain and losses	Profit before tax	Tax charge	Profit / (loss) after tax
2022									
Kenya	4,452,852	(338,987)	18,967	198,898	(16,549)	162,187	41,065	(131,346)	(107,632)
Rest of Africa	2,864,689	(10,414)	–	21,137	(1,811)	342,099	334,462	(168,942)	182,871
	7,317,541	(349,401)	18,967	220,035	(18,360)	504,286	375,527	(300,288)	75,239
2021									
Kenya	5,028,435	(221,907)	4,822	204,350	(16,549)	(1,779)	(14,514)	(76,932)	(91,446)
Rest of Africa	2,567,729	109,767	515	20,030	(2,284)	37,118	148,597	(95,091)	53,506
	7,596,164	(112,140)	5,337	224,380	(18,833)	35,339	134,083	(172,023)	(37,940)

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

All figures in Ksh'000

Segment assets	2022	2021
Kenya	5,601,698	6,542,346
Rest of Africa	2,612,931	2,801,622
	8,214,629	9,444,783

Other segment information	Depreciation and amortisation		Additions to non-current assets	
	2022	2021	2022	2021
Kenya	75,575	68,777	21,838	21,132
Rest of Africa	25,241	33,062	45,923	10,111
	100,816	101,839	67,761	31,243

The company operates in Kenya and the revenue and results have been disclosed under Kenya.

13. EARNINGS PER SHARE

13.1. Basic earnings / (loss) per share

Basic earnings / (loss) 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	
	2022	2021	2022	2021 restated
Profit / (loss) attributable to shareholders of the holding company (Ksh'000)	61,453	(19,372)	19,997	65,376
Weighted average number of shares (in thousands)	432,156	432,156	432,156	432,156
Basic earnings / (loss) per share (Sh)	0.14	(0.04)	0.05	0.15

13.2. Diluted earnings / (loss) per share

Diluted earnings / (loss) 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 2022 and 31 December 2021 no such instruments were outstanding. Hence diluted earnings / (loss) per share is same as basic earnings / (loss) per share presented in Note 13.1.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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 2021	586,263	58,124	344,706	989,093
Additions	23,473	4,585	3,185	31,243
Disposals	(841)	(37,816)	(2,161)	(40,818)
Exchange rate adjustment *	1,710	14	2,502	4,226
At 31 December 2021	610,605	24,907	348,232	983,744
At 1 January 2022	610,605	24,907	348,232	983,744
Additions	14,052	13,235	6,045	33,332
Disposals	(452)	(2,371)	–	(2,823)
Exchange rate adjustment *	(4,468)	(891)	(5,580)	(10,939)
At 31 December 2022	619,737	34,880	348,697	1,003,314
DEPRECIATION				
At 1 January 2021	521,484	43,943	256,785	822,212
Charge for the year	23,599	2,394	15,451	41,444
Elimination on disposals	(828)	(33,556)	(814)	(35,198)
Exchange rate adjustment *	1,589	26	1,813	3,428
At 31 December 2021	545,844	12,807	273,235	831,886
At 1 January 2022	545,844	12,807	273,235	831,886
Charge for the year	22,996	4,896	10,687	38,579
Elimination on disposals	(314)	(98)	–	(412)
Exchange rate adjustment *	(2,899)	224	(5,358)	(8,033)
At 31 December 2022	565,627	17,829	278,564	862,020
NET BOOK VALUE				
At 31 December 2022	54,110	17,051	70,133	141,294
At 31 December 2021	64,761	12,100	74,997	151,858

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

At 31 December 2022, equipment with a cost of Ksh 335,636,000 (2021 – Ksh 294,380,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been Ksh 78,291,000 (2021 – Ksh 73,889,000).

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

14.2. Equipment – Company

All figures in Ksh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2021	325,422	38,756	76,937	441,115
Additions	1,189	1,085	101	2,375
Disposals	(348)	(29,155)	(1,984)	(31,487)
At 31 December 2021	326,263	10,686	75,054	412,003
At 1 January 2022	326,263	10,686	75,054	412,003
Additions	3,529	10,722	289	14,540
Disposals	(198)	(970)	–	(1,168)
At 31 December 2022	329,594	20,438	75,343	425,375
DEPRECIATION				
At 1 January 2021	286,913	27,318	47,902	362,133
Charge for the year	11,754	1,931	3,487	17,172
Elimination on disposals	(228)	(22,981)	(813)	(24,022)
At 31 December 2021	298,439	6,268	50,576	355,283
At 1 January 2022	298,439	6,268	50,576	355,283
Charge for the year	9,026	3,314	3,034	15,374
Elimination on disposals	(109)	(864)	–	(973)
At 31 December 2022	307,356	8,718	53,610	369,684
NET BOOK VALUE				
At 31 December 2022	22,238	11,720	21,733	55,691
At 31 December 2021	27,824	4,418	24,478	56,720

At 31 December 2022, equipment with a cost of Ksh 124,759,000 (2021 – Ksh 111,514,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been Ksh 33,465,000 (2021 – Ksh 32,793,000).

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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:

All figures in Ksh'000	Buildings			
	CONSOLIDATED		COMPANY	
COST	**2022**	**2021**	**2022**	**2021 restated**
At 1 January	362,446	361,243	153,392	153,392
Additions/lease asset recognized	34,429	–	–	–
Modification of lease *	13,645	–	–	–
Exchange rate adjustment **	(6,475)	1,203	–	–
At 31 December	404,045	362,446	153,392	153,392
DEPRECIATION				
At 1 January	230,143	168,339	93,522	70,392
Charge for the year	62,237	60,395	24,936	23,130
Exchange rate adjustment *	(5,499)	1,409	–	–
At 31 December	286,881	230,143	118,458	93,522
NET BOOK VALUE				
At 31 December	117,164	132,303	34,934	59,870

* *Modification of lease includes change in rental payments.*

** *Exchange rate adjustments relate to effect of translation of right of use assets held in foreign subsidiaries.*

16. INVESTMENT IN SUBSIDIARIES

	2022		2021 restated	
COST	**%**	**Ksh'000**	**%**	**Ksh'000**
Ogilvy Kenya Limited	100%	268,462	100%	313,534
Ogilvy Africa Limited	100%	462,509	100%	540,160
O&M Africa B.V.	100%	309,370	100%	309,370
Scangroup Mauritius Holding Limited	100%	209,934	100%	209,934
Hill & Knowlton East Africa Limited	100%	147,582	100%	147,582
Scanad Africa Limited	100%	–	100%	15,000
J.Walter Thompson Kenya Limited	90%	18,000	90%	18,000
Grey East Africa Limited	100%	40	100%	40
		1,415,897		1,553,620

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Movement in investment in subsidiaries

All figures in Ksh'000	2022	2021 restated
At the beginning of the year as previously reported	1,553,620	1,579,433
Adjustment for excess impairment	–	115,175
At the beginning of the year as restated	1,553,620	1,694,608
Impaired during the year	(137,723)	(140,988)
At the end of the year as previously reported	1,415,897	1,553,620

During 2022, the Company carried out a detailed review of the carrying value of investment in subsidiaries. As a result of uncertainty regarding the future profitability and future net cash flows resulting from a deterioration in the economic outlook during 2022 for some of the Company's subsidiaries, mainly resulting from economic environment, the Company determined that an impairment provision was required. Accordingly, impairment provisions totalling Ksh 138m (2021: 141m) were made during the financial year.

Management has projected five years cash flows based on financial budgets for subsidiaries. Due to having a number of subsidiaries, different yearly growth rates were used by management for different units which ranges from 0% to 2% (2021: 0% to 2%) for five years projections. Management has used a post-tax discount rate of 19% (2021: 14.5%) to management forecasts for a period of up to five-years followed by an assumed long-term growth rate of 5.7% (2021: 5.7%).

In developing the cash flows, we considered the impact of the economic environment to our businesses and adjusted projected revenue less pass-through costs and operating margins in 2022 and/or 2023 accordingly.

The long-term growth rate is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports and other relevant market trends. As at 31 December 2022, we have assessed long-term industry trends based on recent historical data and assumed a long-term growth rate of 5.7%. Management have made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

The sensitivity of the inputs to the valuation model as at 31 December 2022 are set out below:

- If the discount rate was 0.1% higher or lower, the impairment provision for Ogilvy subsidiaries would have increased or decreased by approximately Ksh 4.45 million;
- If the long-term growth rate was 0.1% higher or lower, the impairment provision for Ogilvy subsidiaries would have increased or decreased by approximately Ksh 2.91 million; and
- if the yearly growth rates were 0.1% higher or lower, the impairment provision for Ogilvy subsidiaries would have increased or decreased by approximately Ksh 1.85 million.

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:

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	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 %
Hill & Knowlton Strategies Nigeria Limited	100%
Hill & Knowlton Strategies Uganda Limited	100%
Scanad Rwanda Limited	100%
JWT Uganda Limited	100%
Scangroup (Malawi) Limited	100%
Scangroup (Zambia) Limited	100%
Scangroup Mozambique Limitada	100%
Scanad Nigeria Limited	100%
Ogilvy Ghana Limited	80%
Scanad Ghana Limited	80%
Squad Digital Nigeria Limited	75%
STE Scanad DRC	100%
Scanad Burundi Limited SPRL	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.

MEC Africa Limited, (a wholly owned subsidiary of WPP Scangroup PLC) holds 100% equity shares in WPP Team Gabon SARL.

Ogilvy Africa Limited, (a wholly owned subsidiary of WPP Scangroup PLC) holds 70% equity shares in Ogilvy Mather Zambia Limited.

Ogilvy Kenya Limited is the holding company of other subsidiaries incorporated in Kenya as follows:

	Shareholding %
Ogilvy Africa Media Limited	100%
Ogilvy Public Relations Limited	100%
Mindshare Kenya Limited	100%
Ogilvy & Mather (EA) Limited	100%
Geometry Global Limited	100%

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Summarised financial information on subsidiaries with material non-controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

All figures in Ksh'000	Squad Digital Limited		J W Thompson Kenya Limited	
	2022	2021	2022	2021
As at 31 December				
Assets	254,312	249,462	238,470	246,382
Liabilities	589,640	537,467	35,975	56,792
Equity attributable to the owners of the company	(253,173)	(217,444)	182,246	170,631
Non-controlling interest	24.5%	24.5%	10%	10%
Revenue	234,851	316,723	107,908	157,255
Expenses	(282,283)	(464,562)	(88,757)	(138,182)
(Loss) / profit before tax for the year	(47,432)	(147,839)	19,151	19,073
(Loss) / profit attributable to the owners of the company	(35,729)	(108,157)	11,613	11,718
(Loss) / profit attributable to non-controlling interest	(11,594)	(35,097)	1,290	1,302
(Loss) / profit after tax for the year	(47,323)	(143,254)	12,903	13,020
Net cash inflow / (outflow) from operating activities	18,742	(12,854)	(12,506)	6,271
Net cash (outflow) / inflow from investing activities	(119)	(2,452)	(115)	150
Net cash outflow from financing activities	(4)	(2)	(1)	–
Net cash inflow / (outflow)	18,619	(15,308)	(12,622)	6,421

17. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS

17.1 Investments in Associates

At 31 December 2022 WPP Scangroup PLC owned shares in First Primus West Africa Limited and O&M Africa B.V., a 100% subsidiary of WPP Scangroup PLC, owned shares in Ogilvy and Mather Advertising Namibia (Pty) Ltd and Ogilvy Zimbabwe (Private) Limited. Details of shareholdings are given below:

Associate Companies	Country	% shares
First Primus West Africa Limited	Nigeria	24.9%
Ogilvy and Mather Advertising Namibia (Pty) Ltd	Namibia	30.0%
Ogilvy Zimbabwe (Private) Limited	Zimbabwe	25.0%

The results of First Primus West Africa Limited and Ogilvy and Mather Advertising Namibia (Pty) Ltd have been accounted for using the equity method of accounting in the consolidated financial statements. The Group does not consider Ogilvy Zimbabwe (Private) Limited to be material. Accordingly, the results of this company has not been included in the consolidated profit or loss account.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

The movement in investment in associate companies is as follows:

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
At the beginning of year	9,923	35,114	–	–
Share of profit / (loss) in associates	18,967	5,337	18,967	4,822
Impairment of investment in associates	(21,392)	(29,921)	(18,967)	(4,822)
Exchange rate adjustment	190	(607)	–	–
At the end of the year	7,688	9,923	–	–

The impairment of investment in associates relates to Ogilvy and Mather Advertising Namibia (Pty) Ltd of Ksh 2,425,000 (2021: 25,099,000), and First Primus West Africa Limited of Ksh 18,967,000 (2021: Ksh 4,822,000). Due to uncertainty regarding the future profitability and future net cash flows resulting from a deterioration in the economic outlook, the Company determined that an impairment provision of Ksh 21,392,000 be made during the year. The balance at the end of the year of Ksh 7,688,000 relates to Ogilvy and Mather Advertising Namibia (Pty) Ltd.

17.2 Other Equity Investments

O&M Africa B.V. also owns shares in the following companies:

Associate Companies	Country	% shares
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 equity investments have been accounted at nil value. The Company was able to ascertain that only Ocean Conseil in Cote d'Ivoire continues to trade. The results of this company are considered immaterial therefore not accounted for equity method.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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	
	2022	2021	2022	2021
Balances recoverable from related parties				
Due after one year				
Loans recoverable from a related company *	331,484	331,457	481,994	481,967
Less: Allowance for expected credit loss	(306,880)	(306,880)	(457,390)	(457,390)
	24,604	24,577	24,604	24,577
Due within one year				
Current receivables from various related parties	380,273	376,653	2,634,538	2,138,299
	380,273	376,653	2,634,538	2,138,299
Balances payable to related parties				
Current payables to various related parties	139,078	194,968	403,271	328,493
Transactions with related parties				
Sale of services	364,983	514,222	520,090	762,749
Purchase of services	116,156	104,058	288,731	326,714
Interest on related party loan	2,306	2,852	33	2,827
Remuneration of directors and key management compensation	56,255	55,466	50,616	47,756
Directors' remuneration – Executive directors' emoluments (included in key management compensation above)	41,116	41,506	41,116	41,506

** The long term loan recoverable is from First Primus West Africa Limited of Ksh 24.6million for both Group and company. It is denominated in Nigeria Naira (NGN) and the equivalent amount at the end of the year 2022 is of NGN 92.27million. It is secured by first priority floating charge over the borrower's properties and attracts interest at 9% per annum.*

The movement in loan receivable from related companies is as follows:

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
At the beginning of year	24,577	88,305	24,577	88,305
Loans repaid	–	(61,332)	–	(61,332)
Exchange rate adjustment	27	(2,396)	27	(2,396)
At the end of the year	24,604	24,577	24,604	24,577

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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:

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Excess depreciation	6,672	11,973	198	5,691
Unrealised exchange gains	(12,072)	(5,234)	(12,816)	(2,461)
Tax losses carried forward	194,936	152,704	75,700	23,903
Provisions *	323,959	338,139	15,242	24,661
Deferred tax on tax losses derecognised	(6,171)	(40,775)	-	-
Recognition of deferred tax asset on losses previously derecognised	1,377	43,380	-	35,078
	508,701	500,187	78,324	86,872

Movement in deferred tax account is as follows:

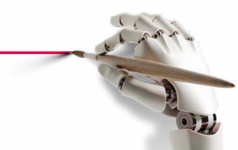
All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
At beginning of period	500,187	487,453	86,872	62,797
Credit / (charge) for the year	1,550	9,064	(8,548)	(11,003)
Deferred tax on tax losses derecognised	(6,171)	(40,775)	-	-
Recognition of deferred tax asset on losses previously derecognised	1,377	43,380	-	35,078
Prior year under provision	13,481	1,334	-	-
Effect of exchange rates	(1,723)	(269)	-	-
At end of period	508,701	500,187	78,324	86,872
Breakup of deferred tax asset and liability				
Deferred tax asset	508,889	502,778	78,324	86,872
Deferred tax liability	(188)	(2,591)	-	-
	508,701	500,187	78,324	86,872

**Provisions mainly related to allowances for credit loss and leave pay provision.*

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 Income Taxes. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits.

Deferred tax assets have only been recognised for territories where the Group considers that it is probable that all or a portion of the deferred tax assets will be realised. The main factors that we consider include:

- the future earnings potential determined through the use of internal forecasts;
- the cumulative losses in recent years;
- the various jurisdictions in which the potential deferred tax assets arise;



NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

- the history of losses carried forward and other tax assets expiring;
- the timing of future reversal of taxable temporary differences;
- the expiry period associated with the deferred tax assets; and
- the nature of the income that can be used to realise the deferred tax asset.

If it is probable that some portion of these assets will not be realised, no asset is recognised in relation to that portion. If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

A deferred taxation asset has been recognized on accumulated tax losses of Ksh 633,808,000 (2021: Ksh 517,862,000) for the Group and Ksh 252,334,000 (2021: Ksh 196,603,000) for the company.

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	2022	2021
Cost and carrying value as at the end of		
Hill+Knowlton Strategies (South Africa) Pty Ltd	23,367	23,367
Total	23,367	23,367

During the year no impairment loss has been recognised (2021: Nil) in the group's financial statements. 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.

In accordance with the Group's accounting policy, the carrying value of goodwill is 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 post-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.

Management has projected five years cash flows based on financial budgets for subsidiary and growth rate is used 0.1% for five years projections. Management has used a post-tax discount rate of 19% (2021: 14.5%) to management forecasts for a period of up to five-years followed by an assumed long-term growth rate of 5.7% (2021: 5.7%).

In developing the cash flows, we considered the impact of the economic environment to our businesses and adjusted projected revenue less pass-through costs and operating margins in 2021 and/or 2022 accordingly. For the remaining years in the projection period, we assessed when the cash flows would recover to 2019 levels as representative of pre-Covid-19 revenue less pass-through costs and operating margins.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

The long-term growth rate is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports and other relevant market trends. As at 31 December 2022, we have assessed long-term industry trends based on recent historical data and assumed a long-term growth rate of 5.7%. Management have made the judgement that the 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 to arrive at value in use, which 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.

21. TRADE AND OTHER RECEIVABLES

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Trade receivables	2,822,581	3,134,712	216,007	413,674
Less: Allowance for expected credit loss	(968,643)	(953,303)	-	(4,489)
	1,853,938	2,181,409	216,007	409,185
Value Added Tax recoverable	501,251	1,030,551	28,257	-
Staff recoverable	569	957	-	-
Other receivables and pre-payments	159,059	78,140	51,538	20,093
	2,514,817	3,291,057	295,802	429,278
Movement in allowance for expected credit loss				
Balance at the beginning of the year	953,303	1,032,730	4,489	4,489
Provision for bad debts for the year	45,626	50,619	-	3,484
Amounts written off during the year as uncollectible	(1,356)	-	-	(3,484)
Reversal of provision for bad debts	(17,369)	(126,056)	(4,489)	-
Effect of exchange rate movements	(11,561)	(3,990)	-	-
Balance at the end of the year	968,643	953,303	-	4,489

The Group and Company uses a provision matrix to measure the ECLs of trade receivables from customers. The loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write off.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

22. WORK-IN-PROGRESS

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Work-in-progress	25,204	21,079	–	–

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 DEPOSITS BALANCES

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
23 (a) Cash and cash equivalents				
Cash in hand	429	416	427	413
Bank balances	856,848	972,971	–	116,292
Short term deposits				
- Fixed deposits with banks	76,070	284,199	–	200,000
- Call deposits with banks	39,415	76,758	363	15,610
	972,762	1,334,344	790	332,315
Bank overdraft	(26,574)	–	(26,574)	–
Cash and cash equivalents	946,188	1,334,344	(25,784)	332,315
23 (b) Cash, bank and deposits balances				
Cash and cash equivalents	946,188	1,334,344	(25,784)	332,315
Add: Bank overdraft shown separately	26,574	–	26,574	–
	972,762	1,334,344	790	332,315
Accrued interest	1,803	13,901	–	13,274
	974,565	1,348,245	790	345,589
Less: Allowance for expected credit loss	(4,491)	(30,858)	–	(5,366)
Cash, bank and deposits balances	970,074	1,317,387	790	340,223
23 (c) Fixed deposits with bank (maturing after 3 months)				
Fixed deposits with bank	2,450,992	2,574,133	2,382,931	2,506,185
Accrued interest	83,937	83,553	79,485	80,849
	2,534,929	2,657,686	2,462,416	2,587,034
Less: Allowance for expected credit loss	(11,840)	(23,604)	(10,827)	(23,094)
Fixed deposits with bank (maturing after 3 months)	2,523,089	2,634,082	2,451,589	2,563,940
Movement in allowance for expected credit loss *				
Balance at the beginning of the year	54,462	–	28,460	–
Impairment of bank balances	2,065	54,462	–	28,460
Reversal of impairment of bank balances	(41,884)	–	(17,633)	–
Effect of exchange rate movements	1,688	–	–	–
Balance at the end of the year	16,331	54,462	10,827	28,460

**The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA, BB, B and CCC based on third party credit rating agencies. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.*

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Bank and cash balances and deposit balances whose maturity is more than three months from the date of placement (hence not meeting the criteria of cash and cash equivalents), which were previously combined in one line on the statement of the financial position as cash, cash equivalents and deposits, have been disclosed separately on the statement of financial position as set out in note 23(b). In the prior year statement of cash flows, we have shown the movement in fixed deposits (maturing after 3 months) which have now been disclosed as gross placement and gross maturity. This is a reclassification as explained under the accounting policy on Comparative Amounts.

The effective interest on the fixed deposits for the year ended 31 December 2022 was 8.18% (2021: 7.88%) while the effective interest rate on the call deposits was 4% (2021: 4 %).

The table below shows the analysis of short-term and fixed deposits maturing in more than 3 months by currency for the Group:

	2022			2021		
All figures in Ksh'000	Amounts equivalent to Ksh'000			Amounts equivalent to Ksh'000		
Currency	**Fixed deposits**	**Call deposits**	**Total**	**Fixed deposits**	**Call deposits**	**Total**
Kenya Shilling	1,991,854	363	1,992,217	2,355,648	15,610	2,371,258
United States Dollar	391,088	–	391,088	349,336	–	349,336
South African Rand	–	39,052	39,052	–	61,148	61,148
Malawian Kwacha	4,559	–	4,559	5,070	–	5,070
Zambia Kwacha	81,674	–	81,674	95,127	–	95,127
Mozambique Meticals	57,887	–	57,887	53,151	–	53,151
	2,527,062	39,415	2,566,477	2,858,332	76,758	2,935,090

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

24. NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES

		CONSOLIDATED		COMPANY	
All figures in Ksh'000	**Notes**	**2022**	**2021**	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax *		375,527	134,083	88,252	102,484
Depreciation on equipment	10	38,579	41,444	15,374	17,172
Depreciation on Right-of-use assets	10	62,237	60,395	24,936	23,130
Allowance for expected credit loss	10	(11,562)	(20,975)	(22,122)	31,944
Interest expense	8	18,360	18,833	11,653	11,187
Impairment of investment in subsidiaries *		–	–	137,723	140,988
Impairment of investment in associates		21,392	29,921	18,967	4,822
Share of profit in associates		(18,967)	(5,337)	(18,967)	(4,822)
Net exchange loss on long term loan to related company		(27)	2,396	(27)	2,396
Profit on disposal of assets	9	(2,407)	(5,858)	(774)	(3,048)
Interest income	8	(220,035)	(224,380)	(195,707)	(203,903)
Dividend income	9	–	–	(26,822)	(63,617)
Working capital adjustments:					
Decrease / (increase) in trade and other receivables		747,983	(325,433)	137,965	150,170
Increase in work-in-progress		(4,125)	(8,861)	–	–
(Decrease) / increase in trade and other payables		(1,070,222)	817,195	(325,020)	88,042
Movement in related party balances		(59,510)	(253,000)	(421,461)	(274,206)
Cash (used in) / generated from operating activities after working capital changes		(122,777)	260,423	(576,030)	22,739

**See note 36 for details regarding the restatement*

25. SHARE CAPITAL

All figures in Ksh'000	**2022**	**2021**
Currency		
Authorised share capital:	500,000	500,000
Ordinary shares 500,000,000 (2021: 500,000,000) of Ksh 1 each		
Issued and fully paid up shares		
Ordinary shares 432,155,985 (2021: 432,155,985) of Ksh 1 each	432,156	432,156

26. SHARE PREMIUM

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2022**	**2021**	**2022**	**2021**
At the beginning of year	4,436,532	9,155,166	4,436,532	9,155,166
Transfer to merger reserve	–	(4,718,634)	–	(4,718,634)
At the end of the year	4,436,532	4,436,532	4,436,532	4,436,532

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

During the year under review, an amount of Ksh Nil (2021: Ksh 4,718,634,333) has been transferred from the Share Premium account to a Merger Reserve. Refer to Note 27 below.

27. MERGER RESERVE

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	2022	2021	2022	2021 Restated
At the beginning of year	1,457,248	–	1,615,674	–
Transfer from share premium	–	4,718,634	–	4,718,634
Transfer to accumulated deficit from Merger Reserve	–	(3,261,386)	(122,723)	(3,102,960)
At the end of the year	1,457,248	1,457,248	1,492,951	1,615,674

i) In 2013, the Company acquired remainder of shareholding in Ogilvy Africa Limited, Ogilvy Tanzania Limited, O&M Africa B.V., Ogilvy Mauritius Holdings Limited (amalgamated with Scangroup Mauritius Holdings Limited in 2014), Ogilvy Kenya Limited, Hill + Knowlton Strategies Africa Holding Limited ((amalgamated with Scangroup Mauritius Holdings Limited in 2014), Hill & Knowlton East Africa Limited, Millward Brown Mauritius Limited and Millward Brown East Africa Limited (together the "Acquired Companies") from Cavendish Square Holding B.V. Each of these companies became a 100% subsidiary of the Company for a consideration of 72,720,076 shares with a par value of Ksh 1 each in the Company, issued at a price of Ksh 66.04 per share (i.e at a premium of Ksh 65.04). The premium was credited to Share Premium Account (total Ksh 4,729,713,743), less the costs of issuing these shares of Ksh 11,079,310, giving rise to a net Share Premium amount of Ksh 4,718,634,433.

ii) Section 388 of the Kenyan Companies Act, 2015, allows that if an acquiring company acquires at least ninety percent (90%) equity in another company or companies (the Acquired Companies) and the consideration includes an issue of the acquirer's shares, then the acquiring company will be eligible for merger relief. Merger relief enables the acquiring company to credit the difference between the issue price of shares and their nominal value to a Merger Reserve instead of crediting share premium to a Share Premium Account.

iii) Under the transitional arrangements set out in paragraph 16 of the Sixth Schedule to the Kenyan Companies Act, 2015, section 388 of the Companies Act can be applied to prior year transactions and accordingly the Company has transferred the sum of Ksh 4,718,634,433 from Share Premium Account to the Merger Reserve.

iv) The Company received legal advice on the appropriation of the merger reserve.

v) The Shareholders approved the resolution for the appropriation of the merger reserve in the Annual General Meeting held in September 2021.

vi) The Company informed Capital Market Authority (CMA) regarding this appropriation of the merger reserve.

vii) The transfer to accumulated deficit relates to:

a. On Consolidated:

In 2013 when the Company acquired the balance of shares not already owned in the companies listed in (i) above (excluding Millward Brown which was sold in 2020), the carrying value of the assets and liabilities of the Acquired Companies were not adjusted to fair value on consolidation and any difference between the value of consideration provided and net assets acquired was not recognised as goodwill but was adjusted directly against reserves, which amounted to Ksh 3,261,386,000. This amount is now adjusted against Merger Reserve.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

b. On the Company:

Following a review of the carrying value of investments in subsidiaries, the Company has made a total impairment provision of Ksh 3,527,283,000 in respect of subsidiaries which has been charged to profit and loss account of the Company (2022: 137,723,000, 2021: Ksh 140,988,000 and 2020: Ksh 3,248,572,000). Out of the total amount of Ksh 3,527,283,000, Ksh 3,225,683,000 (2022: 122,723,000, 2021: 76,438,000 and 2020: 3,026,522,000) has subsequently been appropriated to Merger Reserve.

28. LEASE LIABILITES

All figures in Ksh'000	Buildings			
	CONSOLIDATED		COMPANY	
Analysed as:	2022	2021	2022	2021 restated
Non – Current	63,688	95,626	7,577	40,902
Current	58,140	47,052	31,155	26,766
At 31 December	121,828	142,678	38,732	67,668
The movement in the lease liabilities is as follows:				
At 1 January as previously reported	142,678	207,364	67,668	90,701
Additions	34,429	–	–	–
Payment of lease liabilities	(82,757)	(78,165)	(33,025)	(29,099)
Interest on lease liabilities	11,801	13,573	4,089	6,066
Modification of lease	13,645	–	–	–
Exchange rate adjustment *	2,032	(94)	–	–
At 31 December	121,828	142,678	38,732	67,668
Lease liabilities maturity analysis				
Year 1	58,140	47,052	31,155	26,766
Year 2	33,846	52,535	7,359	31,693
Year 3	23,937	27,603	218	9,209
Year 4	5,905	15,488	–	–
	121,828	142,678	38,732	67,668

** Exchange rate adjustments relate to effect of translation of lease liabilities held in foreign subsidiaries.*

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

29. TRADE AND OTHER PAYABLES

All figures in Ksh'000	CONSOLIDATED		COMPANY	
Analysed as:	**2022**	**2021**	**2022**	**2021**
Trade payables	1,822,020	2,418,981	171,129	456,139
Other payables *	587,737	647,359	128,461	159,265
Leave pay provision	41,050	42,090	5,650	6,301
Value Added Tax payable	165,281	577,880	–	8,555
	2,616,088	3,686,310	305,240	630,260
Movement in leave pay provision				
Balance at the beginning of the year	42,090	54,829	6,301	14,687
Provision for leave pay	13,898	12,870	–	1,864
Paid during the year	(9,837)	(24,188)	(253)	(10,250)
Reversals of provision for leave pay	(4,813)	(1,909)	(398)	–
Effect of exchange rates	(288)	488	–	–
Balance at the end of the year	41,050	42,090	5,650	6,301

* *Other payables mainly related to general accruals, provision for professional fee, withholding tax payables and Pay As You Earn (PAYE) accruals.*

30. DIVIDENDS PAYABLE

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	**2021**	**2022**	**2021**
At 1 January	66,831	82,345	66,831	82,345
Dividends declared	21,399	24,726	–	–
Dividends paid	(46,251)	(40,240)	(24,852)	(15,514)
At 31 December	41,979	66,831	41,979	66,831

Unclaimed dividend amounting to Ksh 23million was remitted to Unclaimed Financial Assets Authority during the year. (2021: Ksh 4million). Dividend declared and paid in the Group includes dividend paid to minority shareholders in respective subsidiaries.

31. BANK OVERDRAFTS

The Company has, for and on behalf of all its Kenyan subsidiaries, availed a general short term banking facility, incorporating overdrafts, letter of credit and / or guarantee of bank facility of Ksh 500million and forward exchange contract facility of USD12million from Stanbic Bank Kenya Limited. The utilisation of these facilities are monitored at a Group level. The maximum amount of the facilities used was Ksh 312million on 3rd March 2022 by the Group. 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 Ksh 500million.

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

iii) Right of set-off.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

32. CAPITAL COMMITMENTS

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Authorised but not contracted	–	–	–	–
Authorised and contracted	6,379	3,566	1,520	–
	6,379	3,566	1,520	–

Capital commitments relates to purchase of IT equipment and renovation of office.

33. CONTINGENT LIABILITIES

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Pending claims	211,151	183,551	–	–
Guarantees	40,727	3,066	38,777	2,866
	251,878	186,617	38,777	2,866

The pending claims against the Group by various parties, principally relate to procurement disputes. 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.

34. RISK MANAGEMENT POLICIES

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

34.1 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 and its subsidiaries 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, media investment management, advertising research, public relations, digital advertising and specialty communications 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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Total Equity per statement of Financial Position	5,173,140	5,200,397	6,242,421	6,222,424
Loans payable to a related company	–	–	–	–
Less: Cash, bank and deposit balances	970,074	1,317,387	790	340,223
Excess of Cash and cash equivalents over borrowings	(970,074)	(1,317,387)	(790)	(340,223)
Gearing ratio	N/A	N/A	N/A	N/A

34.2 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.

34.3 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 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:

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2022	2021	2022	2021
Trade receivables	1,853,938	2,181,409	216,007	409,185
Loan to related companies	331,484	331,457	481,994	481,967
Recoverable from related parties	380,273	376,653	2,634,538	2,138,299
Bank balances and short term deposits	970,074	1,400,107	790	420,659
Fixed deposits with bank (maturing after 3 months)	2,523,089	2,634,082	2,451,589	2,563,940
	6,058,858	6,923,708	5,784,918	6,014,050

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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 >380 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

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						
2022	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Ksh'000	Ksh'000	Ksh'000
Trade receivables	N/A	Performing	Lifetime ECL	2,822,581	(968,643)	1,853,938
Loan to related companies	N/A	Performing	Lifetime ECL	331,484	(306,880)	24,604
Due from related companies	N/A	Performing	Lifetime ECL	380,273	–	380,273
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	974,565	(4,491)	970,074
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	2,534,929	(11,840)	2,523,089
				7,043,832	(1,291,854)	5,751,978

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

2021	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Ksh'000	Ksh'000	Ksh'000
Trade receivables	N/A	Performing	Lifetime ECL	3,134,712	(953,303)	2,181,409
Loan to related companies	N/A	Performing	Lifetime ECL	331,457	(306,880)	24,577
Due from related companies	N/A	Performing	Lifetime ECL	376,653	–	376,653
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	1,400,107	(31,275)	1,368,832
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	2,634,082	(23,187)	2,610,895
				7,877,011	(1,314,645)	6,562,366

Company

2022	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Ksh'000	Ksh'000	Ksh'000
Trade receivables	N/A	Performing	Lifetime ECL	216,007	–	216,007
Loan to related companies	N/A	Performing	Lifetime ECL	481,994	(457,390)	24,604
Due from related companies	N/A	Performing	Lifetime ECL	2,634,538	–	2,634,538
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	790	–	790
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	2,462,416	(10,827)	2,451,589
				5,795,745	(468,217)	5,327,528

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

2021	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Ksh'000	Ksh'000	Ksh'000
Trade receivables	N/A	Performing	Lifetime ECL	413,674	(4,489)	409,185
Loan to related companies	N/A	Performing	Lifetime ECL	481,967	(457,390)	24,577
Due from related companies	N/A	Performing	Lifetime ECL	2,138,299	–	2,138,299
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	420,659	(5,366)	415,293
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	2,563,940	(23,094)	2,540,846
				6,018,539	(490,339)	5,528,200

Credit risk profile based on provision matrix

Group

2022	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	2.6%	5.9%	8.8%	11.2%	16.4%	94.9%	34.3%
Expected Gross Carrying Amount (Ksh'000)	1,362,747	233,549	125,576	95,560	70,960	934,189	2,822,581
Lifetime ECL (Ksh'000)	35,382	13,812	10,992	10,708	11,653	886,096	968,643

2021	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	0%	1%	1%	2%	15%	98%	30%
Expected Gross Carrying Amount (Ksh'000)	1,134,140	452,199	213,480	271,960	129,744	933,189	3,134,712
Lifetime ECL (Ksh'000)	5,601	3,418	2,429	5,519	19,546	916,790	953,303

Company

2022	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	0.0%	0.0%	0.0%	-	-	0%	0.0%
Expected Gross Carrying Amount (Ksh'000)	118,146	39,469	58,392	–	–	–	216,007
Lifetime ECL (Ksh'000)	–	–	–	–	–	–	–

2021	< 30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
ECL rate	0%	1%	2%	3%	11%	0%	1%
Expected Gross Carrying Amount (Ksh'000)	328,277	29,089	10,698	27,853	17,757	–	413,674
Lifetime ECL (Ksh'000)	1,289	202	207	793	1,999	–	4,490

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

A reconciliation of the impairment loss accounts:

Group	Trade receivables	Loan to related companies	Bank balances and short term deposits	Fixed deposits with bank (maturing in more than 3 months	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
31 December 2021					
At 1 January 2021	1,032,730	306,880	–	–	1,339,610
Increase in loss allowance	50,619	–	31,275	23,187	105,081
Reversal of provision for loss allowance	(126,056)	–	–	–	(126,056)
Effect of exchange rate movements	(3,990)	–	–	–	(3,990)
At 31 December 2021	953,303	306,880	31,275	23,187	1,314,645
31 December 2022					
At 1 January 2022	953,303	306,880	31,275	23,187	1,314,645
Increase in loss allowance	45,626	–	2,065	–	47,691
Reversal of provision for loss allowance	(17,369)	–	(30,412)	(11,472)	(59,253)
Effect of exchange rate movements	(11,561)	–	1,563	125	(9,873)
At 31 December 2022	968,643	306,880	4,491	11,840	1,293,210

Company	Trade receivables	Loan to related companies	Bank balances and short term deposits	Fixed deposits with bank (maturing in more than 3 months	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
31 December 2021					
At 1 January 2021	1,005	457,390	–	–	458,395
Increase in loss allowance	3,484	–	5,366	23,094	31,944
At 31 December 2021	4,489	457,390	5,366	23,094	490,339
31 December 2022					
At 1 January 2022	4,489	457,390	5,366	23,094	490,339
Reversal of provision for loss allowance	(4,489)	–	(5,366)	(12,267)	(22,122)
At 31 December 2022	–	457,390	–	10,827	468,217

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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

34.3 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 31 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 2022				
Payable to related parties	49,635	319	89,124	139,078
Trade payables	636,532	333,146	852,342	1,822,020
Lease Liabilities	11,888	2,495	107,445	121,828
Dividends payable	41,979	–	–	41,979
	740,034	335,960	1,048,911	2,124,905
At 31 December 2021				
Payable to related parties	39,982	13	154,973	194,968
Trade payables	1,159,808	364,509	894,664	2,418,981
Lease Liabilities	6,697	8,693	127,288	142,678
Dividends payable	66,831	–	–	66,831
	1,273,318	373,215	1,176,925	2,823,458

For Company:

All figures in Ksh'000	Less than 1 month	Between 1 – 3 months	Over 3 months	Total
At 31 December 2022				
Payable to related parties	347,044	–	56,227	403,271
Trade payables	120,828	33,839	16,462	171,129
Lease Liabilities	5,223	2,495	31,014	38,732
Dividends payable	41,979	–	–	41,979
	515,074	36,334	103,703	655,111
At 31 December 2021				
Payable to related parties	288,491	6,392	33,610	328,493
Trade payables	355,590	95,042	5,507	456,139
Lease Liabilities	4,998	2,185	60,485	67,668
Dividends payable	66,831	–	–	66,831
	715,910	103,619	99,602	919,131

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

34.3.1 Interest rate risk

Interest rate risk arises primarily 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 Ksh 0.68million (2021: Ksh 0.51million) with a corresponding similar impact on retained earnings.

34.3.2 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 2022, if the average exchange rate for the year was 5% higher or lower, the profit before tax would have increased or decreased by approximately Ksh 17.51million (2021: Ksh 6.4million) for the Group and Ksh 29million (2021: Ksh 15million) for the Company.

34.3.3 Price risk

Price risk arises from fluctuations in the prices of equity investments. At 31 December 2022 and 31 December 2021, the group did not hold investments that would be subject to price risk; hence this risk is not applicable.

34.3.4 Concentration risk

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

34.4 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.

35. DIVIDENDS

The directors did not declare a dividend for the Company for the financial year ended 31 December 2022 (2021: Nil).

36. RESTATEMENT NOTE

As at 31 December 2020 and 2021, the investment at cost relating to Hill and Knowlton East Africa Limited, a wholly owned subsidiary of WPP Scangroup Plc (the "Company"), was incorrectly measured as a result of an error in the determination of impairment in investment in subsidiaries. During the assessment of its recoverable amount in both years, cash flows of Hill and Knowlton South Africa Limited, a subsidiary of Hill and Knowlton East Africa Limited, were

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

inadvertently omitted. This resulted in excess / (less) impairment for the investment in Hill and Knowlton East Africa Limited being recorded in the years respectively.

The financial statements for the years ended 31 December 2020 and 31 December 2021 have been restated to correct the error. The error has been corrected retrospectively and the effect on individual line items at 31 December 2020 and 31 December 2021 is shown below:

All figures in Ksh'000	Company		
	Balance previously reported Ksh	Adjustment for restatement Ksh	Restated Ksh
Effect on the Statement of Financial Position As at 31 December 2020			
Investment in subsidiaries	1,579,433	115,175	1,694,608
Accumulated deficit	(3,545,449)	115,175	(3,430,274)
Effect on the Statement of Profit or loss and the comprehensive income for the year ended 31 December 2021			
Impairment of investment in subsidiaries	(91,382)	(49,606)	(140,988)
Earnings per share			
Basic (Ksh)	0.27	(0.12)	0.15
Diluted (Ksh)	0.27	(0.12)	0.15
Effect on the Statement of Financial Position as at 31 December 2021			
Impairment of investment in subsidiaries	1,488,051	65,569	1,553,620
Merger reserve*	(3,168,529)	65,569	(3,102,960)
Effect on the Statement of cashflows for the year ended 31 December 2021			
Cash from operating Activities			
Profit for the year	114,982	(49,606)	65,376
Impairment of investment in subsidiaries	91,382	49,606	140,988

** As at 31 December 2021, the restatement error was first adjusted through the accumulated deficit account and then transferred to the Merger reserve account under equity.*

37. EVENTS AFTER THE REPORTING DATE

Ms Miriam Kaggwa was appointed as Chief Finance Officer of the company on 1 February 2023.

38. INCORPORATION

The Company is domiciled and incorporated in Kenya as a public limited liability company under the Kenyan Companies Act, 2015. 56.26% shares of the Company are beneficially held by WPP plc, a company incorporated in Jersey, and ultimate parent company of WPP Scangroup plc. Financial statements of WPP plc are available at www.wpp.com.

PROXY FORM

PROXY FORM

WPP Scangroup Plc
PO 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: .... Email Address ....

or failing him/her:.. of: (address)

.... TEL. No: .... Email Address ....

and failing him/ her the Chairman of the meeting as my/ our proxy to vote for me/ us on my/ our behalf at the 2023 Annual General Meeting to be held on 30th June 2023 and at any adjournment thereof.

As witness my/our hand this ....day of 2023

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.

PROXY FORM

* *Delete whichever is not applicable.*

Agenda items	Accept	Reject	Dissenting Opinion
ORDINARY BUSINESS:			
1. To receive and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2022, together with the Chairman's, the Directors' and Auditor's Reports thereon.			
2. To note that the Directors do not recommend the payment of a dividend for the financial year ended 31 December 2022.			
Directors: 3. In accordance with the provisions of Article 30.1 of the Company's Articles of Association: – a) Mr Richard Omwela retires by rotation and being eligible, offers himself for re-election.			
b) Mr Dominic Grainger retires by rotation and being eligible, offers himself for re-election.			
c) Mr Andrew Payne retires in accordance with the provisions of Article 29.5 and being eligible, does not offer himself for re-election.			
4. In accordance with the provisions of Article 30.8(b) of the Company's Articles of Association: • To elect Ms Patou Nuytemans to serve as director as recommended by the Board of Directors.			
5. 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 Peter M. Kimurwa • Ms Patricia Kiwanuka • Ms Beverley Spencer-Obatoyinbo • Mr Jonathan Neil Eggar • Mr Shahid Sadiq • Mr Federico de Nardis			
6. a) To approve the Directors Remuneration Policy for the year ended 31 December 2022			
b) To approve the Directors Remuneration report for the year ended 31 December 2022			
7. 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 for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act 2015.			

PROXY FORM

Notes:

1. 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.
2. 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.
3. To be valid, this Proxy Form must be duly completed by a Member and must either be emailed to info@image.co.ke or delivered to Image Registrars Limited, Absa Towers, 5th Floor,Loita Street, so as to be received not later than 28 June 2023 at 11:00 a.m.

WPP | SCANGROUP