SCANGROUP
A WPP Company

Digital Africa

Scangroup Annual Report 2014

CONTENTS

NOTICE OF THE ANNUAL GENERAL MEETING 2015

Notice is hereby given that the 2015 Annual General Meeting of Scangroup Limited will be held at Bomas of Kenya, Langata Road, Nairobi, Kenya on Friday 29th May 2015 at 11.00 am to transact the following business:

ORDINARY BUSINESS

1. To read the Notice convening the meeting.

2. To receive, consider and adopt the Financial Statements for the year ended 31st December 2014 together with the reports of the Directors and Auditors thereon.

3. To consider and approve a first and final dividend totalling Ksh189,432,551 being Ksh0.50 per share for the year ended 31st December 2014 payable on or about 30th June 2015 to Shareholders on the Register of Members at the close of business on 29th May 2015.

4. To approve the remuneration of the Directors as provided in the accounts for the year ended 31st December 2014.

5. To elect Directors:

   Mr. David Hutchison retires by rotation under the provisions of Article 93 of the Articles of Association. Having attained the age of seventy years on 9th October 2014 he further retires in terms of section 186(2) of the Companies Act (Cap 486 of the Laws of Kenya) and being eligible, by virtue of a special notice given under section 186(5), offers himself for re-election as a director.

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Article 95 of the Company's Memorandum and Articles of Association and any applicable provisions of the Companies Act, (CAP 488) of the Laws of Kenya and any rules made thereunder, Mr. Jonathan Neil Eggar, who was appointed as Nominee Director of the Company by the Board of Directors with effect from the 28th day of April 2015 and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. Jonathan Neil Eggar for the office of a Director of the Company be and is hereby elected and appointed as the Finance Director, whose period of office shall not be liable to determination by retirement of directors by rotation."

7. To note that Deloitte & Touche continue in office as auditors of the Company in accordance with the provisions of Sec. 159(2) of the Companies Act and to authorize the Directors to set their remuneration for the ensuing financial year.

SPECIAL BUSINESS

Change of Company Name

1. To consider and if thought fit, to pass the following resolution as a Special Resolution.

   "The name of the Company be changed to WPP Scangroup Limited with effect from the date of the meeting"

Alteration of the Articles of Association:

2. To consider and if thought fit, to pass the following resolution as a Special Resolution.

   THAT subject to completion, the Articles of Association of the Company be and is hereby amended by deleting the existing Article 143 and inserting the following new Article 143.

NOTICE OF THE ANNUAL GENERAL MEETING 2015 (CONTINUED)

"The Company may, pursuant to and in accordance with the provisions of the Unclaimed Financial Assets Act, 2011 (as amended or modified from time to time) or any other law, deliver or pay to any prescribed regulatory authority any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond prescribed statutory periods. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder or his or her estate, for the relevant unclaimed assets."

By Order of the Board
Reuben Mwangi
Company Secretary
28 April 2015
Nairobi

Notes:

1. A Member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A Proxy Form may be downloaded from the Company's website, www.scangroup.biz, or obtained from the Registrar, Comprite Kenya Limited, The Crescent, off Parklands Road, Crescent Business Centre, 2nd floor, Nairobi – P.O. Box 63428-00619 Nairobi. To be valid, a Proxy Form must be duly completed by a Member and must either be lodged with the Registrar at the above given address or posted so as to reach the Registrar not later than 11.00 am on Wednesday 27 May 2015

2. In accordance with Articles 152 & 148 of the Company's Articles of Association, a copy of the Annual Report may be viewed on our website, www.scangroup.biz, or obtained from the Registrar's office at the address given above.

3. Registration of Members and proxies attending the Annual General Meeting will commence at 8.00 am on Friday 29 May 2015 and will close at the conclusion of the meeting. Members and proxies will be required to produce a national identity card, a passport or other acceptable means of identification. CDS account numbers or Member number will also be required for ease of the registration process.

4. Courtesy transport will be provided for Members between 7.30 am to 10.00 am from town (pick-up and drop-off points: behind Kencom House - Moi Avenue, Nairobi) to the venue of the meeting and back to town at the conclusion of the meeting.

BOARD OF DIRECTORS

DAVID HUTCHISON

Chairman and Independent Non-Executive Director

David, age 70, is a Certified Public Accountant and formerly Senior Partner of Ernst & Young Eastern Africa. He has many years' experience in audit, tax advice, financial management, reconstruction and consulting covering many sectors across various countries. David is a Non-Executive Director of ICEA Lion General and Life companies, East Africa Reinsurance Company Limited, East African Packaging Industries Limited (Chairman), Prime Bank Limited, Synresins Limited and is Chairman of a number of companies within The Banda educational and property groups.

BHARAT THAKRAR

Chief Executive Officer

Bharat, age 63, is the founder shareholder of Scangroup. He has over 40 years working experience in the Advertising and Communications industry. He holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation - UK. He is a former Chairman of the Advertising Practitioners Association (APA) in Kenya. He has undergone various Executive Management Courses including one at the Harvard Business School.

RICHARD OMWELA, OGW

Independent Non-Executive Director

Richard, age 59, holds a Bachelor of Honours Degree in Law (LLB) Upper Class Division from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is an advocate of the High Court of Kenya. Richard is a Partner in the law firm of Hamilton Harrison and Mathews Advocates. He is a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. He is the Chairman of Nairobi Airport Services Limited, ABC Bank Limited, The Monarch Insurance Company Limited, Octagon Pension Services Limited and the Kenya Rugby Union.

MUCHIRI WAHOME

Independent Non-Executive Director

Muchiri, age 52, has over 24 years of retail experience and is currently the Chief Executive Officer of Deacons Group of Companies. He is a Non Executive Director of Tea Brokers E.A., East African Packaging Industries and Kiko Romeo Limited. He is also the Chairman of the Board of Governors of Moi Equator Girls Secondary School. In 2005 he was awarded the Head of State commendation medal for implementing performance contracts with public bodies. Muchiri is fellow of the Aspen Leadership Center.

ANDREW SCOTT

Non-Executive Director

Andrew, age 46, is Chief Operating Officer for WPP in Europe and is also WPP's Director of Corporate Development leading the Group's global Mergers & Acquisitions activity. Prior to joining WPP, Andrew was a strategy consultant at LEK Consulting. He holds an MBA with distinction from INSEAD.

BOARD OF DIRECTORS (CONTINUED)

LAURENCE MELLMAN

Non-Executive Director

Laurence, age 49, is Chief Operating Officer, International Specialist Communications at WPP. He has worked at WPP since 1996 and has undertaken a number of roles in both the parent company and in the operating companies. Prior to joining WPP, Laurence trained as a Chartered Accountant with Pricewaterhouse Coopers in London and Manchester, qualifying in 1991. Laurence holds a degree in Commerce and Accounting from the University of Birmingham in the UK.

REUBEN MWANGI

Company Secretary

Reuben, age 50, is Head of Legal and Company Secretary at Scangroup Limited and its subsidiaries in Kenya. He holds a Bachelors of Laws (LLB) from the University of Nairobi, a Diploma in Legal Practice from the Kenya School of Law and is also a Certified Public Secretary and a Life Member of the Institute of Certified Public Secretaries of Kenya. Prior to joining Scangroup, Reuben worked in various capacities at Kenya Wildlife Services, CFC Bank Limited and Bollore Africa Logistics.

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

We are pleased to present the annual report for Scangroup Limited for the year ended 31 December 2014.

Economy

During 2014 the countries in which the company has operations were largely stable. Growth in Sub-Saharan Africa and the East African region remained relatively robust with real GDP estimated to have expanded by 4.5%[1] and 6.2%[2], respectively. Better economic conditions worldwide, higher trade with new trading partners for the countries of the region and resultant inflow of investments were major contributing factors.

Kenya, which accounts for 69% of Group's total revenue, experienced GDP growth of 5.4% which was down marginally on 2013. Whilst growth was supported by increased public and private consumption, and lower oil prices, the impact of security concerns dampened the growth rates which in turn has an impact on the level of investment that our clients are willing to make into the overall economy and our services in particular. Reflecting the overall challenges in the Kenyan economy, the NSE 20 share index increased by only 3.8%. Annual average inflation increased to 6.9% in 2014 from 5.7% in 2013.

Neighbouring countries of Uganda and Tanzania saw their economies expand by 6.3% and 7.0% respectively. Ghana, where the company now has three businesses in operation, saw its economy expand by 4.7% in 2014 on the back of 7.1% growth in 2013.

Nigeria, where the company has an established research business and is continuing to prepare for the launch of additional services, was declared the largest economy in Africa in 2014. Re-basing of the GDP puts the services industry at the forefront, much ahead of the oil industry which for a long time was thought to be the largest contributor to the economy. Political unrest in the north and the drop in oil prices in the second half of 2014 put pressure on the economy, but the stable elections in March 2015 mean that the overall economic outlook remains bullish.

Industry Performance

The Marketing and Advertising industry in Sub-Saharan Africa is on a growth trajectory fuelled by the ever increasing number of global clients wishing to either enter Sub-Saharan Africa or to increase their marketing investments in the region. Increasing disposable income of consumers, especially in the middle-income group, adds to the importance of the continent to our clients. As marketing communication is necessary to reach consumers, investment in marketing services is likely to increase.

In Kenya, according to an IPSOS report, the advertising industry is estimated to have grown by 6% in 2014, marginally up on the 2013 growth rate. Ad-spends on TV advertising, which for its highest recall ratio is considered as the best medium for communication, has been on a growth trajectory over the last five years, and overtook Radio as the largest category in 2014 representing 46% of total spend. Radio still remains a popular medium with 40% of total ad-spends. Due to the switch over from analogue to digital TV in the first quarter of 2015 it is likely that Radio will bounce back in the short term. Use of Digital advertising in marketing communication continues to develop at an impressive pace and is expected to continue for some time. Demand for other service disciplines such as Public Relations and Speciality Communication is also growing.

Clients increasing expectation of better return on media investment has continued to challenge the industry to improve its effectiveness. In a bid to meet client expectations, agencies operating in this region continue to evolve and become more innovative.

1 Source: World Bank report titled Global Economic Prospects published in January 2015
2 Source: Average of real GDP growth rate of Kenya, Uganda, Tanzania and Rwanda during 2014 as published by World Bank in its report Global Economic Prospects in January 2015

LETTER TO THE SHAREHOLDERS (CONTINUED)

Association of local or regional players with global agencies which are also looking to diversify into emerging and frontier markets reflects the growing demand for global practices. Our alignment with WPP, is a great example of this and further supports the fact that global clients are looking for partners who are able to provide a cohesive service offering across all continents.

The industry phenomenon in other markets where your company has operations is similar to that of Kenya. As African economies start working as blocs, companies are increasingly starting to seek agencies that can operate across markets and across disciplines. Our long term objective is aligned to this expectation.

Update on introduction of new services and markets

Our growth strategy continues to be based on delivering "Integrated Marketing Communication" services to our clients across all marketing disciplines and across all geographies in Sub-Saharan Africa. We believe that delivering global best practice across multiple markets to our clients will cement our relationships with them. In line with this strategy, during the year the Company continued to develop its offer in countries outside of Kenya with a growing presence in Ghana, South Africa, Tanzania, Uganda and Zambia.

As previously disclosed, our Scanad Nigeria operation encountered a legal challenge early in its operations regarding a dispute with an Ogilvy affiliate. The matter is still before the Courts in Nigeria and the management is hoping for a positive and timely resolution. On a positive note, our research unit, Millward Brown continues to show strong growth in the Nigeria where we have also been able to launch our Public Relations agency, Hill+Knowlton Strategies in early 2015.

Company's Financial Performance

In 2014, the Group's billings increased by 19% and Revenues grew by 34%. In our business, billings do not necessarily have a correlation with revenues because more than 50% of our revenues are from retainer fees which are not directly co-related to the level of client spend on media procurement. In 2014 the Group benefitted from the consolidation of its Millward Brown operations which has less pass through costs than our media buying businesses.

Kenya is still our primary market in terms of contribution. However, the dependence on Kenya continues to reduce as we grow our presence in new markets. In 2014 Kenya contributed 69% of the total revenue, down from 74% in 2013 and 79% in 2012. We expect this dependence to drop further in 2015 as our operations outside of Kenya grow faster than the Kenyan market.

In terms of marketing discipline diversification, the trend that was seen in 2013 continued in 2014 with the concentration in Advertising and Media services continuing to reduce. This has evolved from 84% of total revenue in 2012 to 75% in 2013 and 63% in 2014. This reflects the impact of investments in Digital, Public Relations and Research starting to bear fruit and we expect to see further reduction in 2015.

As would be reasonably expected, the continuing investment in growth disciplines, in particular Digital and Market Research and further developing our presence and potential in Ghana, Nigeria, South Africa and Zambia, led to a 22% increase in operating costs. In 2013 the company accounted for earnings from its research business i.e. Millward Brown entities, as an equity investment for the first eleven months of the year. Millward Brown entities were converted to a subsidiary in December 2013 as part of the Cavendish Square Holdings B.V (WPP) transaction. This helps explain the increase in revenues and costs in 2014. However, as a result, the equity income fell away in 2014. Profit before Tax (PBT) was strongly boosted by a 6.5x increase in interest income, partly due to higher cash balance following the share subscription by WPP, and partly due to a strong improvement in working capital. In 2013 at a PBT level the Group benefited from a gain arising on the revaluation of its investments in Millward Brown following the transaction with WPP. This was a one-time, non-cash and tax exempt gain.

LETTER TO THE SHAREHOLDERS (CONTINUED)

Excluding this the Group's underlying PBT increased from Ksh339million to Ksh912million and Earnings Per Share (EPS) increased from Ksh0.47 to Ksh1.50. On a reportable basis i.e. including the accounting gain the 2014 EPS decreased by 42% over 2013. Effective tax rate for 2013 was 14%, significantly less than effective tax rate for 2014, which was 31%, mainly due to tax exempt accounting gain in 2013.

Proposed Dividend

Your Board has recommended for approval at the Annual General Meeting the payment of the first and final dividend of Ksh0.50 per share for 378,865,102 shares amounting to Ksh189,432,551 for the year ended 31 December 2014 (2013: Ksh0.40 per share for 378,865,102 shares amounting to Ksh151,546,041). Whilst the EPS decreased by 42%, it should be noted that without the one-time accounting gain (which was a non-cash item) in 2013 the underlying EPS has increased by 219%. The Board remains confident about the trading outlook and the increase in proposed dividend payout to 33% of EPS reflects this.

Board

The Directors who held office in 2014 and up to the date of this report are listed on page 11.

Corporate Governance

The Board and its committees, the Audit & Risk Management Committee, the Board IT Oversight Committee and the Nominating and Remuneration Committee continue to discharge their oversight mandates on the Group's financial activities, internal controls, technology infrastructure, risk management practices and human resource management. A statement on corporate governance is set out on page 9.

Appreciation

We would like to thank our clients in all the countries we operate in for their continued support without which our vision to be the leading marketing services company in Sub-Saharan Africa would not be achievable. We would also like to thank our shareholders for their confidence in the management and the leadership of the Group. Last but not least, our dedicated and committed staff for their pursuit of excellence in service delivery that has helped achieve the results.

David Hutchison
Chairman
28 April 2015

Bharat Thakrar
CEO

CORPORATE GOVERNANCE

Corporate governance statement

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

Board and directors

During the year 2014, the Board comprised one executive Director, Mr. Thakrar, and five Non-Executive Directors, three of whom, Mr. Hutchison, Mr. Omwela and Mr. Wahome are Independent Directors. The independent directors ensure that independent thoughts are brought to bear on Board decisions. Independent directors have no management or business relationships with the Company that could influence their independence. Mr. Scott and Mr. Mellman are appointed by Cavendish Square Holding B.V in accordance with the Company's Articles of Association.

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

The Directors who held office during the year under review and to the date of this report are listed on page 11.

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

<u>Audit & Risk Management Committee</u>

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

<u>Nominating & Remuneration Committee</u>

The Nominating & Remuneration Committee comprises of Mr. Hutchison (Chairman), Mr. Wahome, Mr. Scott and the CEO, Mr. Thakrar. The Committee meets as required but at least once a year. The Committee is responsible for identifying and nominating for approval by the Board, candidates to fill the Board vacancies as and when the need arises and in particular, gives consideration to succession planning taking into account the challenges and opportunities facing the Company and ensure that the necessary skills and expertise are available on the Board in future. The Committee is responsible for monitoring and appraising the performance of senior management, reviewing human resources policies and determining the Group's remuneration and incentive programmes. Executive Directors and / or management are not present when their remuneration is discussed.

<u>Board IT Oversight Committee</u>

Board IT Oversight Committee was constituted in 2012 to oversee systems development and implementation in the Group. The members of the Committee are, Mr. Hutchison and Mr. Thakrar. The Chief Information Officer who heads the management IT Steering Committee is invited to the meetings.

CORPORATE GOVERNANCE (CONTINUED)

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

Chairman and chief executive officer

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

Directors emoluments and loans

The aggregate amount of emoluments paid to Directors during 2014 are disclosed on page 45. No loan was given to the Executive Director and Non-Executive Directors during the year. Directors' interest in the shareholding of the Company is set out on page 13.

Dealing in company's shares

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

Internal controls

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

Business ethics

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

Investor relations

Information on the Company's shareholding is provided on page 13. The Company values its relationship with the shareholders and the investment community and ensures regular and reliable communication through publication of its financial performance, publication of the Annual Report, holding of the Annual General Meeting and other general meetings prescribed by law. The Company's primary communication channel remains the Nairobi Securities Exchange and media releases consistent with legal and regulatory requirements.

CORPORATE INFORMATION

DIRECTORS	David Hutchison*	Chairman
	Bharat Thakrar	Chief Executive Officer
	Richard Omwela	
	Muchiri Wahome	
	Andrew Scott*	
	Laurence Mellman*	* British

SECRETARY

Reuben Mwangi
Certified Public Secretary (Kenya)
The Chancery, 5th Floor
Valley Road, Upper Hill
P. O. Box 34537- 00100
Nairobi, Kenya

REGISTERED OFFICE

The Chancery, 5th Floor
Valley Road, Upper Hill
P. O. Box 34537- 00100
Nairobi, Kenya

AUDITORS

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

PRINCIPAL BANKERS

CfC Stanbic Bank Limited
4th Floor, CfC Stanbic Bank Centre
Westlands Road, Chiromo
P .O. Box 72833 – 00200
Nairobi, Kenya

LEGAL ADVISERS

Daly & Figgis Advocates
ABC Place, 6th Floor
Waiyaki Way
P. O. Box 40034 – 00100
Nairobi, Kenya

SHARE REGISTRARS

Comp-rite Kenya Limited
8th Floor, Rehani House
Kenyatta Avenue
P.O. Box 64328 – 00619
Nairobi, Kenya

HISTORICAL FINANCIAL TREND

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR THE YEAR

All figures in Ksh'000	2014	2013 Restated	2012 Restated	2011	2010
Billing	16,886,418	14,144,826	12,472,198	1,763,664	11,363,839
Revenue	5,125,162	3,838,912	3,922,763	3,597,260	2,345,554
Interest income	248,253	37,655	167,466	139,916	174,100
Profit before taxation	912,277	963,093	1,069,566	1,280,100	838,396
Tax charge	(286,801)	(131,766)	(317,557)	(368,984)	(197,811)
Profit after tax	625,476	831,327	752,009	911,116	640,585
Non controlling interests	(58,469)	(70,761)	(123,730)	(186,151)	(61,998)
Profit available to Scangroup Shareholders	567,007	760,566	628,379	724,965	578,587
Basic earnings per share (EPS) (Ksh)	1.50	2.60	2.21	2.55	2.13
Weighted average number of shares (million)	378.87	292.78	284.79	284.79	271.38

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

All figures in Ksh'000	2014	2013 Restated	2012 Restated	2011	2010
ASSETS					
Non - current assets	2,360,945	2,284,630	1,015,060	711,351	891,539
Current assets	10,923,159	10,459,953	7,346,586	7,778,587	7,117,892
Total assets	13,284,104	12,744,583	8,361,646	8,489,938	8,009,431
LIABILITIES					
Non - current liabilities	301,464	358,383	306,536	337,430	191,143
Current liabilities	4,440,009	4,259,750	3,155,479	3,797,599	4,240,483
Equity	8,542,631	8,126,450	4,899,631	4,354,909	3,577,805
Total Equity and Liabilities	13,284,104	12,744,583	8,361,646	8,489,938	8,009,431

SHAREHOLDERS INFORMATION

TOP 10 SHAREHOLDERS

Rank	Name	Number of shares held	% of issued share capital
1	Cavendish Square Holding B.V	176,903,560	46.69%
2	Bharat Kumar Thakrar and Sadhna Bharat Thakrar	51,811,360	13.68%
3	Ogilvy and Mather South Africa (Proprietary) Limited	12,907,856	3.41%
4	Standard Chartered Nominees, Non-Resident A/C KE 9273	12,743,900	3.36%
5	White, Andrew John Laird	12,206,000	3.22%
6	Standard Chartered Nominees Account KE 17984	10,845,793	2.86%
7	Standard Chartered Nominees, Non-Resident A/C 9944	9,901,400	2.61%
8	CFC Stanbic Nominee Limited A/C NR1030625	5,677,500	1.50%
9	Standard Chartered Nominees Account KE17605	2,544,120	0.67%
10	Standard Chartered Nominees A/C 9098AC	2,352,080	0.62%
	Total	297,893,569	78.63%

SHAREHOLDING CATEGORY

Category	Number of Shareholders	Number of shares held	% of issued share capital
Foreign Investors	320	256,188,429	67.62%
East Africa Individuals	23,609	67,764,992	17.89%
East Africa Institutions	1,222	54,911,681	14.49%
Total	25,151	378,865,102	100.00%

SHAREHOLDERS BY RANGE

Range	Number of Shareholders	Number of shares held	% of issued share capital
1 - 500	18,766	6,403,830	1.69%
501 - 1,000	3,595	2,425,748	0.64%
1,001 - 5,000	2,015	4,066,245	1.07%
5,001 - 10,000	276	1,928,894	0.51%
10,001 - 50,000	285	5,977,059	1.58%
50,001 - 100,000	79	5,675,403	1.50%
100,001 - 500,000	96	22,871,405	6.04%
500,001 - 1,000,000	17	12,761,001	3.37%
Above 1,000,000	22	316,755,517	83.61%
Total	25,151	378,865,102	100.00%

DIRECTOR SHAREHOLDERS

Name	Number of shares held	% of issued share capital
Bharat Kumar Thakrar (Jointly owned with Sadhna Bharat Thakrar)	51,811,360	13.68%
David Hutchison	1,200	0.00%
Richard Omwela	2,520	0.00%
Total	51,815,080	13.68%

REPORT OF THE DIRECTORS'

The directors present their report together with the audited financial statements for the year ended 31 December 2014 which disclose the state of affairs of Scangroup Limited (the Company) and its subsidiaries (together, the Group).

PRINCIPAL ACTIVITY

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Ksh'000
Profit before tax	912,277
Tax charge	(286,801)
Profit for the year	625,476
Other comprehensive income	(43,416)
Total comprehensive income for the year	582,060

DIVIDENDS

The directors propose a first and final dividend of Ksh0.50 per share totalling Ksh189,432,551 based on 378,865,102 shares in issue (2013: Ksh0.40 per share totalling Ksh151,546,041 based on 378,865,102 shares).

The payment of dividend is subject to approval by the shareholders' at the Annual General Meeting. This amount is not included in liabilities as presented in the financial statements. The proposed dividend is payable to all shareholders on the Register of Members at the close of business on 29th May 2015. Dividend payment will be subject to withholding tax where applicable.

DIRECTORS

The current members of the Board of Directors are as shown on page 11. Mr. David Hutchison retires by rotation under the provisions of Article 93 of the Articles of Association. Having attained the age of seventy years on 9th October 2014 he further retires in terms of section 186(2) of the Companies Act (Cap 486 of the Laws of Kenya) and being eligible, by virtue of a special notice given under section 186(5), offers himself for re-election as a director.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office in accordance with section 159(2) of the Companies Act.

By Order of the Board

Reuben Mwangi
Secretary
28 April 2015
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and of their operating results for that year. It also requires the directors to ensure that the company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and its subsidiaries. They are also responsible for safeguarding the assets of the Company and its subsidiaries.

The directors are responsible for the preparation of financial statements that give a true and fair view of the financial affairs of the Company and its subsidiaries and of their operating results in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and its subsidiaries and of their operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

David Hutchison
Director

Bharat Thakrar
Director

28 April 2015

Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCANGROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Scangroup Limited and its subsidiaries set out on page 18 to page 62 which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Group and of the Company as at 31 December 2014 and the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Partners: S.O.Onyango F.O.Aloo H.Gadhoke* N.R. Hira* B.W.Irungu I.Karim J.M.Kiarie D.M.Mbogho A.N. Muraya R.Mwaura J.Nyang'aya F.Okwiri J.W.Wangi
*British

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCANGROUP LIMITED (CONTINUED)

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii. the company's statement of financial position (balance sheet) is in agreement with the books of account.

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

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

28 April 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

All figures in Ksh'000	Notes	2014	2013 Restated
Billings	8	16,886,418	14,144,826
Direct costs		(11,761,256)	(10,305,914)
Revenue		5,125,162	3,838,912
Interest income net of interest expenses	9	248,253	37,655
Other income	10	14,683	7,729
Share of profit from joint arrangement	11	-	84,456
Gain on revaluation of equity interest	12	-	623,866
Operating and administrative expenses		(4,474,706)	(3,614,667)
Foreign exchange loss		(1,115)	(14,858)
Profit before tax	13	912,277	963,093
Tax charge	14	(286,801)	(131,766)
Profit for the year	15	625,476	831,327
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		(43,416)	(38,195)
Total comprehensive income for the year		**582,060**	**793,132**
Profit attributable to:			
Equity shareholders of the parent company		567,007	760,566
Non-controlling interests		58,469	70,761
		625,476	831,327
Total comprehensive income attributable to:			
Equity shareholders of the parent company		528,830	718,594
Non-controlling interests		53,230	74,538
		582,060	793,132
Basic earnings per share (Ksh)	16	1.50	2.60
Diluted earnings per share (Ksh)	16	1.50	2.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

All figures in Ksh'000	Notes	31 December 2014	31 December 2013 Restated	1 January 2013 Restated
ASSETS				
Non-current assets				
Equipment	17.1	517,246	544,877	427,567
Intangible assets	18	-	5,078	14,228
Investment in joint arrangement		-	-	122,928
Investments in associates and other equity investment	19	4,274	4,488	5,528
Deferred tax asset	20	227,190	117,952	118,051
Goodwill	21	1,612,235	1,612,235	315,671
		2,360,945	2,284,630	1,003,973
Current assets				
Trade and other receivables	22	6,765,229	7,304,149	5,361,947
Receivable from related parties	23	49,945	135,747	3,038
Work-in-progress		30,228	15,931	8,278
Tax recoverable	14.3	281,883	209,277	100,764
Cash and cash equivalents	24	3,795,874	2,794,849	1,875,595
		10,923,159	10,459,953	7,349,622
TOTAL ASSETS		**13,284,104**	**12,744,583**	**8,353,595**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	25	378,865	378,865	284,789
Share premium		8,281,817	8,296,150	1,754,388
Revenue (deficit) / reserve		(147,545)	(540,567)	2,131,126
Translation deficit		(108,016)	(69,839)	(27,867)
Equity attributable to shareholders of the holding company		8,405,121	8,064,609	4,142,436
Non-controlling interests		137,510	61,841	651,503
Total equity		8,542,631	8,126,450	4,793,939
Non-current liabilities				
Deferred tax liability	20	7,754	5,310	3,224
Loan payable to related parties	23	293,710	353,073	295,258
		301,464	358,383	298,482
Current liabilities				
Trade and other payables	26	4,275,713	4,169,730	3,187,460
Tax payable	14.3	57,036	42,450	59,690
Payable to related parties	23	93,236	33,546	-
Dividends payable	27	14,024	14,024	14,024
		4,440,009	4,259,750	3,261,174
TOTAL EQUITY AND LIABILITIES		**13,284,104**	**12,744,583**	**8,353,595**

The financial statements on page 18 to page 62 were approved and authorised for issue by the Board of Directors on 28 April 2015 and were signed on its behalf by:

David Hutchison
Director

Bharat Thakrar
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

All figures in Ksh'000	Notes	31 December 2014	31 December 2013 Restated	1 January 2013 Restated
ASSETS				
Non-current assets				
Equipment	17.2	136,975	160,126	108,392
Investment in subsidiaries	28	6,788,129	6,800,926	1,273,326
Investment in joint arrangement		-	-	6,129
Long term loan to subsidiaries	23	231,350	246,935	50,020
Deferred tax asset	20	84,893	30,305	24,114
		7,241,347	7,238,292	1,461,981
Current assets				
Trade and other receivables	22	950,896	1,496,445	1,308,018
Receivable from related parties	23	116,743	924,204	594,234
Tax recoverable	14.3	11,291	25,686	3,600
Work-in-progress		-	7,878	-
Short-term deposits		2,147,143	1,606,268	554,487
		3,226,073	4,060,481	2,460,339
TOTAL ASSETS		**10,467,420**	**11,298,773**	**3,922,320**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	25	378,865	378,865	284,789
Share premium		8,281,817	8,296,150	1,754,388
Revenue reserve		975,468	1,128,343	600,955
Total equity		9,636,150	9,803,358	2,640,132
Current liabilities				
Bank overdraft	29	231,444	510,429	312,736
Trade and other payables	26	585,802	743,239	955,428
Payable to related parties	23	-	227,723	-
Dividends payable	27	14,024	14,024	14,024
		831,270	1,495,415	1,282,188
TOTAL EQUITY AND LIABILITIES		**10,467,420**	**11,298,773**	**3,922,320**

The financial statements on page 18 to page 62 were approved and authorised for issue by the Board of Directors on 28 April 2015 and were signed on its behalf by:

David Hutchison
Director

Bharat Thakrar
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts in Ksh'000	Share capital	Share premium	Revenue reserve / (deficit)	Trans-lation deficit	Attributable to share holders of the holding company	Non-controlling interests	Total
At 1 January 2012 - As reported	284,789	1,754,388	1,807,599	1,193	3,847,969	523,845	4,371,814
Errors of period before 1 January 2012 (Note 1)	-	-	(51,175)	(16,453)	(67,628)	292	(67,336)
At 1 January 2012 - Restated	284,789	1,754,388	1,756,424	(15,260)	3,780,341	524,137	4,304,478
Profit for the year	-	-	574,054	-	574,054	130,742	704,796
Other comprehensive income	-	-	-	(12,607)	(12,607)	(3,376)	(15,983)
Dividend declared - 2011	-	-	(199,352)	-	(199,352)	-	(199,352)
At 31 December 2012 - Restated	284,789	1,754,388	2,131,126	(27,867)	4,142,436	651,503	4,793,939
At 1 January 2013 - Restated	284,789	1,754,388	2,131,126	(27,867)	4,142,436	651,503	4,793,939
Shares issued	94,076	6,541,762	-	-	6,635,838	-	6,635,838
Profit for the year	-	-	760,566	-	760,566	70,761	831,327
Acquisition of non-controlling interests	-	-	(3,261,386)	-	(3,261,386)	(664,200)	(3,925,586)
Other comprehensive income	-	-	-	(41,972)	(41,972)	3,777	(38,195)
Dividend declared - 2012	-	-	(170,873)	-	(170,873)	-	(170,873)
At 31 December 2013 - Restated	378,865	8,296,150	(540,567)	(69,839)	8,064,609	61,841	8,126,450
At 1 January 2014	378,865	8,296,150	(540,567)	(69,839)	8,064,609	61,841	8,126,450
Profit for the year	-	-	567,007	-	567,007	58,469	625,476
Share issue expenses (Note 2)	-	(14,333)	-	-	(14,333)	-	(14,333)
Acquisition of non-controlling interests (Also refer note 28)	-	-	(22,439)	-	(22,439)	22,439	-
Other comprehensive income	-	-	-	(38,177)	(38,177)	(5,239)	(43,416)
Dividend declared - 2013	-	-	(151,546)	-	(151,546)	-	(151,546)
At 31 December 2014	378,865	8,281,817	(147,545)	(108,016)	8,405,121	137,510	8,542,631

Note:

1. Pursuant to a group wide subsidiary balances reconciliation, the Company discovered various assets which were not correctly reported in the consolidated financial statements of the Group. Necessary adjustments in compliance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, were made. Refer Note 7 for further information.

2. Share issue expenses incurred in 2014 related to the issuance of 94,075,974 new shares to Cavendish Square Holding B.V in 2013 were accounted in the equity against share premium.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts in Ksh'000	Share capital	Share premium	Revenue reserve	Total
At 1 January 2012 - Reported	284,789	1,754,388	469,972	2,509,149
Income for periods prior to 1 January 2012 (Note 1)	-	-	125,331	125,331
At 1 January 2012 - Restated	284,789	1,754,388	595,303	2,634,480
Profit for the year	-	-	205,004	205,004
Dividend declared - 2011	-	-	(199,352)	(199,352)
At 31 December 2012 - Restated	284,789	1,754,388	600,955	2,640,132
At 1 January 2013 - Restated	284,789	1,754,388	600,955	2,640,132
Shares issued for cash consideration	21,356	1,812,048	-	1,833,404
Shares issued for consideration other than cash	72,720	4,729,714	-	4,802,434
Profit for the year	-	-	698,261	698,261
Dividend declared - 2012	-	-	(170,873)	(170,873)
At 31 December 2013 - Restated	378,865	8,296,150	1,128,343	9,803,358
At 1 January 2014	378,865	8,296,150	1,128,343	9,803,358
Loss for the year	-	-	(1,329)	(1,329)
Share issue expenses (Note 2)	-	(14,333)	-	(14,333)
Dividend declared - 2013	-	-	(151,546)	(151,546)
At 31 December 2014	378,865	8,281,817	975,468	9,636,150

Note:

1. Income from Millward Brown Mauritius Limited and Millward Brown East Africa Limited for the years' up to 1 January 2013 when company changed its policy to account for its interest in those entities (49%) from proportionate consolidation to equity method as required by IFRS 11 – Joint Arrangements. Share of profit from joint arrangements in 2012 was Ksh50,873,000.

2. Share issue expenses incurred in 2014 related to the issuance of 94,075,974 new shares to Cavendish Square Holding B.V in 2013 were accounted in the equity against share premium.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

All figures in Ksh'000	Note	2014	2013 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		912,277	963,093
Depreciation on equipment	17.1	139,456	109,237
Amortisation of intangible assets	18	4,005	8,373
Provision for bad and doubtful debts	22	30,011	14,309
Net loss / (gain) on sale of assets	10	2,595	(284)
Gain on revaluation of equity interest	12	-	(623,867)
Share of profit of associates	11	-	(84,456)
Interest income	9	(271,485)	(82,046)
Cash generated from operating activities before working capital changes		816,859	304,359
Decrease / (increase) in trade and other receivables		508,909	(1,431,345)
Increase in work-in-progress		(14,297)	(2,717)
Increase in trade and other payables		105,983	646,708
Decrease / (increase) in related party balances	23	145,492	(99,163)
Net working capital changes		746,087	(886,517)
Cash generated from / (used in) operating activities		1,562,946	(582,158)
Tax paid	14.3	(457,299)	(255,334)
Net cash generated from / (used) in operating activities		**1,105,647**	**(837,492)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(148,864)	(193,761)
Proceeds from sale of equipment		32,650	6,067
Purchase of equity shares	21	-	(31,113)
Cash net of borrowings obtained on acquisition		-	247,379
Interest income received	9	271,485	82,046
Net cash generated from investing activities		**155,271**	**110,618**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses		(14,333)	-
Loan repaid	23	(63,363)	-
Dividends paid	27	(151,546)	(170,873)
Capital received from shareholders	25	-	1,833,404
Net cash (used in) / generated from financing activities		**(229,242)**	**1,662,531**
Net increase in cash and cash equivalents		**1,031,676**	**935,657**
Movement in cash and cash equivalents			
At the beginning of the year		2,794,849	1,875,595
Increase during the year		1,031,676	935,657
Effect of fluctuations in exchange rates		(30,651)	(16,403)
Cash and cash equivalents at end of the year	24	**3,795,874**	**2,794,849**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The consolidated financial statements of Scangroup Limited and its subsidiaries (the Group) for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and the requirements of the Kenyan Companies Act. For the purposes of the Kenyan Companies Act, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.1. Change in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in subsidiary that do not result in the Group losing control over the subsidiary is accounted for as an equity transaction. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Business combinations and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.1. Business combinations and Goodwill (Continued)

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.

4.2. Investments in associates

An associate is an entity over which the Group has significant influence. 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 consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.2. Investments in associates (Continued)

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4.3. Revenue recognition

Revenue comprises commission, fees and rebates earned in respect of media placements, advertising and marketing services, measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is stated exclusive of VAT, sales taxes and other similar levies.

4.3.1. Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the service. The stage of completion of the service is determined as follows:

- retainer fees are recognised by reference to the stage of completion of the contract period, determined as the proportion of the total contract time that has elapsed at the end of the reporting period;
- service income is recognised in the period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

4.3.2. 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 the effective interest rate.

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 the client.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.5. Property and Equipment

4.5.1. Recognition and measurement

Items of Property and 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 Property and 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 Property and Equipment are depreciated from the date the asset is available for use. Depreciation is calculated to write off the cost of items of property and 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 property and 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 4.11

4.6. Intangible Assets

4.6.1. Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Customer contracts acquired for cash represent the intangible assets of the Group included in this report.

4.6.2. Amortisation

Except for goodwill, intangible assets are amortised on a straight line basis in profit or loss over their estimated useful lives, from the date they are available for use.

Customer contracts are amortised over a period of three years.

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

4.6.3. De-recognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4.7. Taxation

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

4.7.1. Current tax

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

4.7.2. Deferred tax

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.7.3. Current and Deferred Tax for the year

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

4.8. Leases

The Group's leases are classified as finance leases whenever the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the consolidated income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the consolidated income statement as it is incurred.

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

4.9. Foreign currencies

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

4.9.1. Transactions and balances

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.9.2. 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 income statements 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.

4.10. Financial instruments

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

4.10.1. Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in number of delayed payments in the portfolio, past average credit period as well as observable changes in national or economic conditions that correlate with default on receivables.

4.10.2. Cash and cash equivalents

Cash and cash equivalents include cash in hand, fixed deposits and deposits held at call with banks which are highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at realisable value.

4.11. Impairment

4.11.1. Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

<u>Financial assets measured at amortised cost</u>

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.11.1. Non-derivative financial assets (Continued)

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.11.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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. Goodwill and intangible assets with indefinite useful life are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.12. Employee benefits

4.12.1 Retirement benefits costs and termination benefits

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

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

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

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

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

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

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

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

4.13. Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.14. Segmental reporting

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

5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

5.1. Relevant new standards and amendments to published standards effective for the year ended 31 December 2014

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. As the Group does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
IFRIC 21 Levies	IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.1. Relevant new standards and amendments to published standards effective for the year ended 31 December 2014 (Continued)

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed

These IFRS improvements are effective for accounting periods beginning on or after 1 July 2014.

The new terminologies have been adopted in these financial statements. In other respects the application of the amendments does not result in any impact on consolidated profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognised in these consolidated financial statements as the Group does not have any derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.2. Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2014

The Group has not applied the following new and revised IFRSs and IFRICs that have been issued but are not yet effective:

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
IFRS 15	1 January 2017
Amendments to IFRS 11	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS's Annual improvements	1 July 2014

5.3. Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2014 and future annual periods

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- The directors of the company do not anticipate that the application of IFRS 9 in the future will have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.3. Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2014 and future annual periods (Continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Amendments to IFRS 11 Joint Arrangements

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. The amendments are not applicable to the group.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

The directors of the Group do not anticipate that the application of the standard will have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.3. Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2014 and future annual periods (Continued)

Amendments to IFRS's Annual improvements

1. Annual Improvements 2010-2012 Cycle

   The annual improvements 2010-2012 cycle makes amendments to the following standards:

   IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for performance condition' and 'service condition'

   IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date

   IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly

   IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)

   IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount

   IAS 24 — Clarify how payments to entities providing management services are to be disclosed

   These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors do not anticipate that the application of these improvements to IFRSs will have a significant impact on the group's financial statements.

2. Annual Improvements 2011-2013 Cycle

   Makes amendments to the following standards:

   IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)

   IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself

   IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52

   IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

   These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors do not anticipate that the application of these improvements to IFRSs will have a significant impact on the group's financial statements.

5.4. Early adoption of standards

The Group did not early-adopt new or amended standards in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgement in applying the Group's accounting policies are dealt with below:

6.1. Critical judgements in applying accounting policies

6.1.1. Equipment

Critical estimates are made by the directors, in determining depreciation rates for equipment.

6.1.2. Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

6.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6.2.1. Useful lives of equipment

As described above, the Group reviews the estimated useful lives of equipment at the end of each annual reporting period.

6.2.2. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and suitable discount rate in order to calculate present value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. RESTATEMENT OF PRIOR YEAR ACCOUNTS

In compliance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the group, in 2014, has restated the comparative financial statements for the year 2013 following the discovery of certain consolidation errors and prior period costs and incomes.

Consolidation errors were in the nature of cut-off errors and were limited to balances of Millward Brown East Africa Limited, Millward Brown West Africa Limited, Millward Brown Mauritius Holdings Limited and Millward Brown Nigeria Limited. These four companies until November 30, 2013 were accounted as associates. Effective such date, following acquisition of 51% equity shares, these entities were accounted as subsidiaries in accordance with IFRS 3 - Business Combination.

Subsequent to the year end, the net assets of these four companies were identified to be less by Ksh34.04million. Reduction in net assets of other subsidiary companies, which were part of the 2013 WPP transaction, resulted in a change to the allocation of 72,720,000 shares issued. The result of change in allocation was an increase in the number of shares allocated towards the purchase of Millward Brown entities, amounting to Ksh15.31million. Due to this increase in the value of consideration for the 51% shares acquired, the value of the existing 49% equity held also increased by Ksh14.70million. Together these three factors caused the goodwill to increase by Ksh64.05million.

The gain on revaluation of existing equity in Millward Brown companies named above, increased by Ksh18.39million because, as described above, the fair value of existing equity was revalued to be higher by Ksh14.70million and due to the change in allocation of full year profit for 2013 between pre-acquisition and post-acquisition periods the book value of existing equity as at 30 November 2013 was rectified downwards by Ksh3.69million.

As a consequence of the above, value of non-controlling interest acquired increased by Ksh20.90million. Excess of value of consideration shares over net assets of step-up subsidiaries decreased by Ksh74.39million due to rectification of share allocation resulting in fewer shares allocated towards step-up subsidiaries which meant lower consideration. Also net assets of those subsidiaries was rectified to be lower than earlier considered.

Prior period costs and incomes identified in 2014 were material in value requiring the Group to restate the previous year comparative information. Of the Ksh125.34million net prior period differences identified, only Ksh36.03million was identified as related to profits for the year 2013. Remaining difference of Ksh89.31million was a net amount of differences prior to 2013 (Ksh105.69million), foreign currency translation difference (Ksh37.10million) less difference in value of non-controlling interests acquired less the excess value written off (Ksh53.49million).

Due to rectification of error in foreign currency denominated assets and liabilities – cash in bank, loan, trade and other receivables and trade and other payables – reported balances, including those of Cash and cash equivalent, were restated. Provisions for bad and doubtful debts recorded in the statutory accounts of the subsidiaries omitted in the 2013 consolidated results were also rectified.

In accordance with IAS 8 and IAS 1 the Group has presented a restated opening balance for year 2013 in its Consolidated statement of financial position, Consolidated statement of changes in equity, Company statement of financial position and Company statement of changes in equity. Prior period costs related to periods before the last presented period i.e. year 2012 were adjusted in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. RESTATEMENT OF PRIOR YEAR ACCOUNTS (CONTINUED)

The following tables summarise the changes.

A. Comparative summarised consolidated statement of profit or loss and other comprehensive income

All figures in Ksh'000	2013 Restated	2013 Reported
Revenue	3,838,912	3,850,394
Profit before tax	963,093	1,038,416
Tax charge	(131,766)	(171,058)
Profit for the year	831,327	867,358
Other comprehensive income	(38,195)	(1,093)
Total comprehensive income for the year	793,132	866,265

B. Comparative summarised consolidated statement of financial position

All figures in Ksh'000	31 December 2013 Restated	31 December 2013 Reported
ASSETS		
Non-current assets	2,284,630	2,228,910
Current assets	10,459,953	10,720,755
TOTAL ASSETS	12,744,583	12,949,665
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the holding company	8,064,609	8,188,335
Non-controlling interests	61,841	63,450
Total equity	8,126,450	8,251,785
Non-current liabilities	358,383	346,178
Current liabilities	4,259,750	4,351,702
TOTAL EQUITY AND LIABILITIES	12,744,583	12,949,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. BILLINGS

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

All figures in Ksh'000	2014	2013 Restated
Kenya (including export sales)	11,392,579	9,719,226
Uganda	1,035,758	1,076,931
Tanzania	1,995,958	2,025,503
South Africa	446,167	359,166
Ghana	1,298,073	829,340
Nigeria	475,689	48,105
Others	242,194	86,555
	16,886,418	14,144,826

9. INTEREST INCOME NET OF INTEREST EXPENSES

All figures in Ksh'000	2014	2013 Restated
Interest on deposits	265,929	81,698
Other Interest	5,556	348
	271,485	82,046
Interest expense	(23,232)	(44,391)
	248,253	37,655

10. OTHER INCOME

All Figures in Ksh'000	2014	2013 Restated
Profit on disposal of assets	3,494	1,004
Bad debts earlier written off now recovered	7,462	4,235
Other incomes	3,727	2,490
	14,683	7,729

11. SHARE OF PROFIT FROM JOINT ARRANGEMENT

The Company, through its subsidiaries has equity interest ranging from 12.6% - 25% in companies listed in note 19 and had, until 30 November 2013, 49% equity interest in Millward Brown East Africa Limited and Millward Brown Mauritius Limited (together MWB Entities). The group recognised proportionate earnings of MWB Entities as Share of profit from joint arrangement. Proportionate earnings of companies listed in note 19 is not recognised because the group expects realisation of such earnings doubtful and uncertain. The Group does not have an obligation to contribute to losses of those companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. GAIN ON REVALUATION OF EQUITY INTEREST

During 2013, the Company acquired a controlling stake in its Joint Venture Millward Brown East Africa Limited and Millward Brown Mauritius Limited (MWB Entities) whose principal activity is the provision of marketing research services. The control was acquired through the purchase of additional 51% equity. Prior to this acquisition the Company had a 49% shareholding in the MWB Entities. In 2013 this acquisition was accounted as a step acquisition under IFRS 3 - Business Combinations.

On acquisition of an additional 51% equity in MWB Entities, existing equity interest (49%) was revalued in compliance with IFRS 3 - Business Combination. Fair value of the existing interest was determined based on consideration paid to acquire the additional shares, which in-turn was determined based on the volume weighted price of Scangroup Limited's equity shares traded on the Nairobi Securities Exchange.

The following table shows the calculation of gain on revaluation and goodwill arising on consolidation of MWB entities.

All figures in Ksh'000		2013 Restated
Value of consideration shares issued to acquire control	(a)	876,847
Fair value of existing equity interest	(b)	842,461
Less: Book value of existing equity interest held	(c)	218,595
Gain on revaluation	(b-c)	623,866
Value of total equity interest post acquisition	(d=a+b)	1,719,308
Less: Net asset value of acquired companies	(e)	446,111
Goodwill	(d-e)	1,273,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

All figures in Ksh'000	2014	2013 Restated
Staff costs		
- Salaries and wages	2,602,189	2,249,356
- Social security	122,015	86,093
- Medical expenses	50,708	60,324
- Leave pay	2,929	2,518
- Other staff cost	402,700	275,859
	3,180,541	2,674,150
Operating lease rentals	229,356	195,292
Travel and transport	193,934	93,133
Depreciation	139,456	109,237
Communication	67,230	81,660
Printing and stationery	25,762	20,925
Provision for bad and doubtful debts	30,011	15,865
Auditors' remuneration	26,217	27,215
Amortisation of intangible assets	4,005	9,223
Net loss / (gain) on sale of assets	2,595	(284)
Directors' remuneration		
- non-executive directors' fee	2,000	2,000
- non-executive directors' emoluments	480	840
- executive directors' emoluments	75,212	94,983

14. TAXATION

14.1. Tax expense

All figures in Ksh'000	2014	2013 Restated
Current taxation based on the adjusted profit		
For companies at 30%	349,377	102,620
Tax impact of companies charged at different rates	45,062	26,961
	394,439	129,581
Deferred tax		
- current year (credit) / charge	(107,638)	21,398
- prior year over provision	-	(19,213)
	(107,638)	2,185
Total tax expense for the year	286,801	131,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

All figures in Ksh'000	2014	2013 Restated
Accounting profit before taxation	912,277	963,093
Tax at the applicable rate of 30%	273,683	288,928
Adjustment for tax on share of profit from joint arrangements	-	(25,337)
Adjustment for tax on gain on revaluation of equity interest	-	(187,160)
Effect of expenses not deductible for tax purposes	23,621	43,979
Effect of companies charged at different rates	(10,503)	(7,857)
Prior year under provision-deferred tax	-	19,213
	286,801	131,766

14.3. Movement in net of tax recoverable and tax payable

All figures in Ksh'000	GROUP		COMPANY	
	2014	2013 Restated	2014	2013 Restated
At beginning of year	166,827	41,074	25,686	3,600
Tax paid	457,299	255,334	50,266	30,438
Charge for the year	(394,439)	(129,581)	(64,661)	(8,352)
Effect of exchange rate difference	(4,840)	-	-	-
At the end of the year	224,847	166,827	11,291	25,686
Breakup of net tax recoverable				
Tax recoverable	281,883	209,277	11,291	25,686
Tax payable	(57,036)	(42,450)	-	-
	224,847	166,827	11,291	25,686

15. PROFIT FOR THE YEAR

The Company loss after tax of Ksh1.33million (2013 Restated: Profit after tax Ksh698.26million) has been dealt with in the separate financial statements of Scangroup Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. EARNINGS PER SHARE

16.1. Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	2014	2013 Restated
Profit attributable to shareholders of the holding company (Ksh'000)	567,007	760,566
Weighted average number of shares (in thousands)	378,865	292,779
Basic earnings per share (Ksh)	1.50	2.60

16.2. Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2014 and 31 December 2013 no such instruments were outstanding. Hence Diluted earnings per share is same as Basic earnings per share presented in Note 16.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. EQUIPMENT

17.1. Equipment – Group

All figures in Ksh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2013	366,396	97,764	329,464	793,624
Additions on acquisition	40,900	23,764	54,555	119,219
Additions	86,444	7,211	100,106	193,761
Disposals	(16,139)	(2,667)	(3,794)	(22,599)
Exchange rate adjustment	(2,918)	(3,563)	(11,089)	(17,570)
At 31 December 2013 (Restated)	474,685	122,508	469,242	1,066,435
At 1 January 2014	474,685	122,508	469,242	1,066,435
Additions	84,381	22,004	42,479	148,864
Disposals	(3,076)	(41,539)	(25,537)	(70,152)
Exchange rate adjustment	(3,657)	(1,356)	(3,278)	(8,291)
At 31 December 2014	552,333	101,617	482,906	1,136,856
DEPRECIATION				
At 1 January 2013	204,237	46,854	114,967	366,057
Additions on acquisition	22,976	15,170	32,215	70,362
Charge for the year	59,416	12,677	37,144	109,237
Elimination on disposal	(14,353)	(1,790)	(672)	(16,816)
Exchange rate adjustment	(1,881)	(1,499)	(3,902)	(7,282)
At 31 December 2013 (Restated)	270,395	71,412	179,751	521,558
At 1 January 2014	270,395	71,412	179,751	521,558
Charge for the year	80,526	16,458	42,472	139,456
Elimination on disposal	(2,000)	(29,418)	(3,489)	(34,907)
Exchange rate adjustment	(2,763)	(1,075)	(2,659)	(6,497)
At 31 December 2014	346,158	57,377	216,075	619,610
NET BOOK VALUE				
At 31 December 2014	206,175	44,240	266,831	517,246
At 31 December 2013 (Restated)	204,290	51,096	289,491	544,877

Note: Restatement of balance of Cost and Depreciation as at 1 January 2013 were not necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17.2. Equipment – Company

All figures in Ksh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2013	175,663	34,392	11,354	221,409
Additions	42,203	-	41,664	83,868
Disposals	(1,958)	(2,200)	(22)	(4,179)
At 31 December 2013	215,909	32,192	52,996	301,098
At 1 January 2014	215,909	32,192	52,996	301,098
Additions	12,936	5,189	7,708	25,833
Disposals	-	(18,545)	-	(18,545)
At 31 December 2014	228,845	18,836	60,704	308,386
DEPRECIATION				
At 1 January 2013	87,130	20,821	5,067	113,017
Charge for the year	22,762	3,290	5,064	31,116
Elimination on disposal	(1,361)	(1,790)	(11)	(3,162)
At 31 December 2013	108,531	22,320	10,120	140,971
At 1 January 2014	108,531	22,320	10,120	140,971
Charge for the year	35,593	2,792	6,053	44,438
Elimination on disposal	-	(13,999)	-	(13,999)
At 31 December 2014	144,124	11,113	16,173	171,410
NET BOOK VALUE				
At 31 December 2014	84,721	7,723	44,531	136,975
At 31 December 2013	107,378	9,872	42,876	160,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. INTANGIBLE ASSETS

All figures in Ksh'000	2014	2013
COST		
At 1 January	27,338	27,338
Additions	-	-
At 31 December	27,338	27,338
AMORTISATION		
At 1 January	22,260	13,110
Charge for the year	4,005	8,373
Exchange rate adjustment	1,073	777
At 31 December	27,338	22,260
Net Book Value	-	5,078

The intangible assets represent client contracts acquired through acquisition of Media Majique & Research Systems Limited and Ogilvy Ghana Limited in 2011.

19. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS

As at 31 December 2014 O&M Africa B.V, a 100% subsidiary of Scangroup Limited, owned equity shares in the following companies:

Associate Companies	Country	% shares
Ogilvy & Mather Advertising Namibia (Proprietary) Limited	Namibia	30.0%
Ogilvy Zimbabwe (Private) Limited	Zimbabwe	25.0%
Ocean Ogilvy Gabon	Gabon	25.0%
Ocean Central Africa	Cameroon	25.0%
Ocean Burkina Faso	Burkina Faso	25.0%
Ocean Afrique Occidentale	Senegal	25.0%
Ocean Conseil	Cote d'Ivoire	25.0%
Other Equity Investment		
Prima Garnet Communications Limited	Nigeria	12.6%

The associate companies are accounted for using the equity method in these consolidated financial statements. The Group does not recognise any of them as material. Accordingly additional disclosure as required by IFRS 12 are not made. Also refer note 11.

Profits of the associate companies are included in the consolidated profit or loss only to the extent the same are distributed and realised, which for the year 2014 and 2013 was Nil. This exception from the general accounting policy (refer Note 4.2) is made because of the uncertainty in recovering such profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. 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 20% to 30%. The net deferred tax asset is attributable to the following items:

All figures in Ksh'000	GROUP		COMPANY	
	31 December 2014	31 December 2013 Restated	31 December 2014	31 December 2013 Restated
(Excess depreciation) / accelerated capital allowances	(5,016)	(2,807)	3,888	783
Unrealised exchange losses/(gains)	12,921	12,489	(476)	(2,248)
Tax losses carried forward	147,597	37,649	62,664	11,143
Provisions	63,934	65,311	23,287	20,627
	219,436	112,642	89,363	30,305
Movement in deferred tax account				
At beginning of period – net asset	112,642	114,827	30,305	24,114
Credit / (charge) for the year	107,638	(18,222)	54,588	6,191
Prior year under provision	-	19,213	-	-
Effect of exchange rates	(844)	(3,176)	-	-
At end of period – net asset	219,436	112,642	84,893	30,305
Breakup of deferred tax asset and liability				
Deferred tax asset	227,190	117,952	84,893	30,305
Deferred tax liability	(7,754)	(5,310)	-	-
	219,436	112,642	84,893	30,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. GOODWILL

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

All figures in Ksh'000	31 December 2014	31 December 2013 Restated
Millward Brown East Africa Limited	1,273,197	1,273,197
O&M Africa B.V	152,929	152,929
Redsky Limited	83,548	83,548
Ogilvy Kenya Limited	79,194	79,194
Hill+Knowlton Strategies (South Africa) Pty Ltd	23,367	23,367
Total	1,612,235	1,612,235

The directors have assessed the goodwill for impairment. Based on the present value of the expected cash inflows from all the entities listed above the directors are of the opinion that goodwill is not impaired since the date of initial recognition.

22. TRADE AND OTHER RECEIVABLES

All figures in Ksh'000	GROUP		COMPANY	
	31 December 2014	31 December 2013 Restated	31 December 2014	31 December 2013 Restated
Trade receivables	6,125,697	6,478,165	814,809	1,258,650
Less: Provision for bad and doubtful debts	(83,872)	(122,607)	(34,295)	-
	6,041,825	6,355,558	780,514	1,258,650
VAT recoverable	294,143	422,603	22,215	85,531
Staff recoverable	51,806	92,723	17,152	40,315
Other receivables and pre-payments	377,455	433,265	131,015	111,949
	6,765,229	7,304,149	950,896	1,496,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. 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	GROUP		COMPANY	
	31 December 2014	31 December 2013 Restated	31 December 2014	31 December 2013 Restated
Balances recoverable from related parties				
Due after one year				
Loan recoverable from various subsidiaries	-	-	231,350	246,935
	-	-	231,350	246,935
Due within one year				
Current receivables from various subsidiaries	-	-	116,743	924,204
Current receivables from fellow subsidiaries	49,945	135,747	-	-
	49,945	135,747	116,743	924,204
Loan payable to related parties				
Dolphin Square Holding B.V	176,400	176,400	-	-
Russell Square Holding B.V	24,858	23,665	-	-
WPP Holdings (Mauritius) Limited	92,452	105,804	-	-
Cavendish Square Holding B.V	-	24,300	-	-
Global Smollan Holdings Limited	-	19,303	-	-
Shareholders of Hill+Knowlton - South Africa	-	3,601	-	-
	293,710	353,073	-	-
Provision for interest on loan (Note 1)	22,095	27,833	-	-
Total payable	315,805	380,906	-	-
Other balances payable to related parties				
Various subsidiaries	-	-	-	227,723
Current payable to fellow subsidiaries	93,236	33,546	-	-
Related party transactions during the year				
Sale of services	95,674	107,843	283,411	174,266
Purchase of services	382,696	431,372	74,215	64,917
Remuneration of directors and key management compensation	77,692	97,823	77,692	97,823
Directors' remuneration - Executive directors' emoluments (included in key management compensation above)	75,212	94,983	75,212	94,983

Note 1: The amount is included in trade and other payables under current liabilities because interest on loan is payable within 12 months from the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. CASH AND CASH EQUIVALENTS

All figures in Ksh'000	31 December 2014	31 December 2013 Restated
Cash in hand	5,338	2,920
Bank balance	466,151	779,844
Short term deposits		
- Fixed deposits with banks	3,310,193	2,006,675
- Call deposits with banks	14,192	5,410
	3,795,874	2,794,849

The deposits mature within 3 months after the year end. The effective interest on the fixed deposits for the year ended 31 December 2014 was 10.8% (2013: 9.5%) while the effective interest rate on the call deposits was 9.0% (2013: 4.3%).

25. SHARE CAPITAL – GROUP AND COMPANY

25.1. Authorised and issued shares

All figures in Ksh'000	31 December 2014	31 December 2013 Restated
Authorised share capital:		
Ordinary shares 400,000,000 (2013: 400,000,000) of Ksh 1 each	400,000	400,000
Issued and fully paid up shares		
Ordinary shares 378,865,102 (2013: 378,865,102) of Ksh 1 each	378,865	378,865

25.2. Movement in share capital

All figures in '000	2014		2013 Restated	
	Nos	Ksh	Nos	Ksh
At the beginning of the year	378,865	378,865	284,789	284,789
Shares issued	-	-	94,076	94,076
At the end of the year	378,865	378,865	378,865	378,865

During year 2013 new shares were issued to Cavendish Square Holding B.V; 21,355,898 new shares were issued for Ksh84.84 and 72,720,076 new shares were issues towards consideration for its equity interest in O&M Africa B.V, Ogilvy Africa Limited, Ogilvy Kenya Limited, Ogilvy Mauritius Holdings Limited, Ogilvy Tanzania Limited, Hill + Knowlton Strategies Africa Holdings Limited, Hill & Knowlton East Africa Limited, Millward Brown East Africa Limited and Millward Brown Mauritius Limited. Fair value of shares issued for consideration other than cash was determined as Ksh66.04 based on volume weighted average of traded prices of the shares over 90 day period as on 12 August 2013. All new shares were listed on the NSE on the 23 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. TRADE AND OTHER PAYABLES

All figures in Ksh'000	GROUP		COMPANY	
	31 December 2014	31 December 2013 Restated	31 December 2014	31 December 2013 Restated
Trade payables	3,759,291	3,892,342	534,739	734,542
Other payables	405,171	201,385	47,221	4,855
Leave pay provision	43,704	39,888	3,842	3,842
VAT payable	67,547	36,115	-	-
	4,275,713	4,169,730	585,802	743,239

27. DIVIDENDS PAYABLE

All figures in Ksh'000	31 December 2014	31 December 2013 Restated
At 1 January	14,024	14,024
Dividends declared	151,546	170,873
Dividends paid	(151,546)	(170,873)
At 31 December	14,024	14,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. INVESTMENT IN SUBSIDIARIES AT COST

	31 December 2014		31 December 2013 Restated	
	% share	Ksh'000	% share	Ksh'000
Ogilvy Kenya Limited	100%	1,866,659	100%	1,866,659
Millward Brown East Africa Limited	100%	1,693,569	100%	1,693,569
Ogilvy Africa Limited	100%	1,494,001	100%	1,494,001
Scangroup Mauritius Holding Limited (Note 1)	100%	480,868	100%	155,033
O&M Africa B.V	100%	671,911	100%	671,911
Hill & Knowlton East Africa Limited	100%	245,123	100%	245,123
Ogilvy Tanzania Limited	100%	135,912	100%	135,912
Redsky Limited	100%	84,542	100%	84,542
Scanad Kenya Limited	100%	40,000	100%	40,000
Scanad East Africa Limited	100%	31,500	100%	31,500
Scanad Africa Limited (erstwhile McCann Kenya Limited)	100%	15,000	100%	15,000
MIA Mauritius Limited	100%	10,006	100%	10,006
J.Walter Thompson Kenya Limited	90%	18,000	90%	18,000
Squad Digital Limited	51%	408	51%	408
Smollan E. A. Limited (Note 2)	100%	550	50%	500
Mediacompete East Africa Limited	100%	40	100%	40
Grey East Africa Limited	100%	40	100%	40
Ogilvy Mauritius Holdings Limited (Note 1)		-	100%	27,814
Millward Brown Mauritius Limited (Note 1)		-	100%	28,543
Hill+Knowlton Strategies Mauritius Holdings Limited(Note 1)		-	100%	58
Media Buying Africa Limited (Note 1)		-	100%	124,024
Scanad Nigeria Holdings Limited (Note 1)		-	100%	158,243
		6,788,129		6,800,926

Note:

1. With effect from 12 November 2014 under a scheme of amalgamation approved by the board of directors, Media Buying Africa Limited, Scanad Nigeria Holdings Limited, Scangroup (Mauritius) Limited, Ogilvy Mauritius Holdings Limited, Millward Brown Mauritius Limited and Hill+Knowlton Strategies Mauritius Holdings Limited were amalgamated with Scangroup Mauritius Holding Limited in accordance with the provisions of section 247 of the Companies Act 2001(Mauritius). Equity investment in subsidiary amounting to Ksh12.85million for which shares were not allotted was refunded during the year.

2. With effect from 26 August 2014 Scangroup Limited acquired 50 shares of Smollan E.A. Limited from Global Smollan Holdings Limited for a nominal value of Ksh50,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. INVESTMENT IN SUBSIDIARIES AT COST (CONTINUED)

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

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

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

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

Hill & Knowlton East Africa Limited, (a wholly owned subsidiary of Scangroup Limited) effective 1 August 2013 acquired 51% equity shares in Hill + Knowlton Strategies South Africa Pty Limited.

29. BANK OVERDRAFT

The Company has, for and on behalf of all its subsidiaries, availed a general short term banking facility, incorporating overdrafts, letter of credit and / or guarantee of bank facility of Ksh500million and forward exchange contract facility of USD11.99million from CfC Stanbic Bank Limited. The utilisation of these facilities are monitored at a group level. Securities offered for the facilities are as follows:

(i) A Joint and several debentures over all the present and future moveable and immovable assets of Scangroup Limited and all the subsidiaries in Kenya for an amount of Ksh500million.

(ii) Cross corporate guarantees and indemnities by Scangroup Limited and its subsidiaries in Kenya for an amount of Ksh500million.

(iii) Right of set-off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. DIVIDENDS

The directors propose a first and final dividend of Ksh0.50 per share totalling Ksh189,432,551 based on 378,865,102 shares in issue. (2013: Ksh0.40 per share totalling Ksh151,546,041 based on 378,865,102 shares)

The payment of dividend is subject to approval by the shareholders' at the Annual General Meeting. This amount is not included in liabilities as presented in the financial statements. Dividend payment will be subject to withholding tax where applicable.

31. CAPITAL COMMITMENTS

All figures in Ksh'000	31 December 2014	31 December 2013 Restated
Authorised but not contracted	-	55,000
Authorised and contracted	28,070	-
	28,070	55,000

32. OPERATING LEASE COMMITMENTS

The total future minimum lease payments due to third parties under non-cancellable operating leases for various office premises are as follows:

All figures in Ksh'000	31 December 2014	31 December 2013 Restated
Within 1 year	211,206	195,038
Within 2 to 3 years	474,453	430,011
	685,659	625,049

33. CONTINGENT LIABILITIES

All figures in Ksh'000	31 December 2014	31 December 2013 Restated
Pending claims	38,862	40,589
Guarantees	10,105	10,105
	48,967	50,694

These relate to claims against the Group by various parties. The likely outcome of these claims cannot be determined as at the date of signing these financial statements. The directors' estimate of the maximum liability arising from these pending claims is set out above. However, the directors' do not expect any significant liability to arise from these pending matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- provide an adequate return to shareholders by pricing advertising services commensurately with the level of risk.

An important aspect of the Group's overall capital management process is the setting of a target risk adjusted rate of return which is aligned to performance objectives and ensures that the Group is focused on the creation of value for shareholders.

The Group has a number of sources of capital available to it and seeks to optimise its equity/debt structure in order to ensure that it can consistently maximize returns to shareholder. As at the year-end the Group's borrowing are not in excess of its cash and cash equivalents. Table below sets out the calculation of gearing ratio.

All figures in Ksh'000	31December 2014	31December 2013 Restated
Share capital	378,865	378,865
Share premium	8,281,817	8,296,150
Revenue deficit	(147,545)	(540,567)
Translation deficit	(108,016)	(69,839)
Non controlling interests	137,510	61,841
Total Equity	8,542,631	8,126,450
Loan payable to a related party	293,710	353,073
Less: Cash and cash equivalents	3,795,874	2,794,849
Excess of Cash and cash equivalents over borrowings	(3,502,164)	(2,441,776)
Gearing ratio	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34.3. Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bank balance and short term deposits. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and assessment of the prevailing economic environment.

The management assesses the creditworthiness of all clients by reviewing available financial information. Payment history of the client is used to review the maximum credit limits.

Exposure to client is also managed through other mechanisms such as the right to offset where a client is also a vendor of the company.

Credit risk on trade receivables is less because the majority of the Group's clients are multinational companies with high credit ratings.

Credit risk on liquid funds with financial institutions is also low, because funds are held by banks with good credit-standing.

Amount that best represents the Group's maximum exposure to credit as at 31 December 2014 is made up as follows:

All figures in Ksh'000	Fully performing	Past due	Impaired	Total
At 31 December 2014				
Bank balance	466,151	-	-	466,151
Short term deposits	3,324,385	-	-	3,324,385
Trade receivables	4,988,324	1,053,501	83,872	6,125,697
	8,778,860	1,053,501	83,872	9,916,233
Less: Provision for impaired assets	-	-	(83,872)	(83,872)
Net Performing assets	**8,778,860**	**1,053,501**	**-**	**9,832,361**
At 31 December 2013 - Restated				
Bank balance	779,844	-	-	779,844
Short term deposits	2,012,085	-	-	2,012,085
Trade receivables	4,671,806	1,683,752	122,607	6,478,165
	7,463,735	1,683,752	122,607	9,270,094
Less: Provision for impaired assets	-	-	(122,607)	(122,607)
Net Performing assets	**7,463,735**	**1,683,752**	**-**	**9,147,487**

The customers under the fully performing category settle their balance in the normal course of trade. Trade receivable that are past due are not doubtful. Out of the total past due amount of Ksh1,053million (2013 Restated: Ksh1,684million) a sum of Ksh846million (2013 Restated: Ksh1,193million) has been settled subsequent to the year-end. The credit control department actively follows the debts that are past due. The group does not hold any collateral or other securities to cover client credit risk.

Bank balances and short term deposits are fully performing. Those amounts are held in reputable banks, which have a high credit rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34.3.1. Liquidity risk management

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

The table below analyses the Group'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.

All figures in Ksh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
At 31 December 2014				
Shareholders loan (including interest)	-	-	315,805	315,805
Trade payables	1,635,465	1,351,525	772,300	3,759,291
	1,635,465	1,351,525	1,088,105	4,075,096
At 31 December 2013 - Restated				
Shareholders loan (including interest)	-	-	380,906	380,906
Trade payables	1,960,805	1,535,695	395,842	3,892,342
	1,960,805	1,535,695	776,748	4,273,248

34.3.2. Interest rate risk

Interest rate risk arises primarily from bank borrowings and borrowings from related parties. The potential impact of 1% increase or decrease in interest rate on profitability of the company would have been an increase or decrease of Ksh232,320 (2013 Restated: Ksh443,910)

34.3.3. 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 2014, if the average exchange rate for the year was 5% higher or lower, the profit before tax would have increased or decreased by approximately Ksh642,237 (2013 Restated: Ksh1,661,530).

34.3.4. Price risk

Price risk arises from fluctuations in the prices of equity investments. At 31 December 2014 and 31 December 2013, the group did not hold investments that would be subject to price risk; hence this risk is not applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34.3.5. Concentration risk

The Group does not have any significant credit risk exposure to any single counter party or any Group of counter parties.

35. SEGMENTAL REPORTING

The disclosure requirements of IFRS 8 Operating Segments are not applicable to the group. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the Chief Operating decision Maker (CODM) in order to allocate resources to the segments and to assess performance. Thus, under IFRS 8, the major reporting segment is advertising and media investment management with other income comprising less than 10% of total income. This is the information which has been reported in these financial statements. Refer note 8.

36. INCORPORATION

The Company is domiciled and incorporated in Kenya as a public limited liability company under the Companies Act (Cap. 486). Effective 1 December 2013, 50.1% shares of the Company are beneficially held by WPP plc, a company incorporated in Jersey. Financial statements of WPP plc are available at www.wpp.com.

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www.scangroup.biz