

PUBLICATION OF THE 2020 FINANCIAL STATEMENTS

THIS ANNOUNCEMENT IS MADE IN COMPLIANCE WITH THE CONTINUING LISTING OBLIGATIONS OF THE CAPITAL MARKETING (SECURITIES) (PUBLIC OFFERS, LISTING AND DISCLOSURES) REGULATIONS, 2002

COMMENTARY

Disposal of Kantar Africa business

As previously announced, the Group completed the sale of its interest in Millward Brown East Africa Ltd, Millward Brown Nigeria Ltd, Millward Brown West Africa Ltd and Research & Marketing Group Investment Ltd on 30 June 2020. The Group made a net gain on this disposal of Ksh 2,242m. These companies represented a significant part of the Group and this disposal therefore materially affects the results of the Group. As required by International Reporting Standard No 5 (IFRS 5) the results of these companies have been included as part of discontinued operations in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Consolidated results

Group revenue for the year ended 31 December 2020 from continuing operations amounted to Ksh 2,239m, a decline of 22% compared to the previous year. Operating and administrative expenses of the Group increased by Ksh 720m, or 26%, mainly as a result of accounts receivables and loan provisions and severance costs resulting from a cost reduction plan. These one-off charges amounted to Ksh 774m. The Group also impaired the carrying value of investment in associates and the value of goodwill arising on consolidation for amounts of Ksh 159m and Ksh 316m respectively. The net gain on the disposal of Kantar (after tax) amounted to Ksh 2,242m. The total comprehensive income for the year amounted to Ksh 357m, a decrease of Ksh 105m compared to the prior year.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

All figures in Ksh'000	2020	2019 restated*
Continuing operations		
Billings	6,341,145	9,282,328
Revenue	2,238,979	2,872,837
Interest income*	204,010	185,203
Interest expense*	(22,749)	(19,583)
Other income	20,231	30,901
Share of loss in associates	(3,208)	(2,222)
Operating and administrative expenses	(3,462,382)	(2,742,291)
Impairment of investment in associates	(158,827)	-
Impairment of goodwill	(315,671)	-
Foreign exchange gains / (losses)	45,124	(34,163)
(Loss) / profit before tax	(1,454,493)	290,682
Tax charge	(278,035)	(131,890)
(Loss) / profit for the year from continuing operations	(1,732,528)	158,792
Discontinued operations		
(Loss) / profit for the year from discontinued operations	(126,682)	332,617
Net gain on disposal of discontinued operations after tax	2,242,028	-
Profit for the year	382,818	491,409
Exchange difference on translating foreign operations	(25,718)	(29,906)
Total comprehensive income for the year	357,100	461,503
Profit / (loss) attributable to:		
Shareholders of the holding company	469,258	431,971
Non-controlling interests	(86,440)	59,438
	382,818	491,409
Total comprehensive income / (loss) attributable to:		
Shareholders of the holding company	444,567	408,842
Non-controlling interests	(87,467)	52,661
	357,100	461,503
(Loss) / earnings per share (continuing operations)		
Basic and diluted (Ksh)	(3.89)	0.34
Number of shares (in thousands)	432,156	432,156

* In prior year interest income had been combined with interest expense. These have now been disclosed separately.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

All figures in Ksh'000	31 December 2020	31 December 2019
ASSETS		
Non-current assets	995,252	2,093,430
Other current assets	3,888,674	8,576,030
Cash, bank and deposit balances (Note 1)	3,857,957	2,133,713
TOTAL ASSETS	8,741,883	12,803,173
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	432,156	432,156
Share premium	9,155,166	9,155,166
Accumulated deficit	(4,026,144)	(2,128,152)
Translation deficit	(335,399)	(430,223)
Equity attributable to shareholders of the holding company	5,225,779	7,028,947
Non-controlling interests	41,742	163,625
Total equity	5,267,521	7,192,572
Non-current liabilities	143,419	255,475
Current liabilities	3,330,943	5,355,126
TOTAL EQUITY AND LIABILITIES	8,741,883	12,803,173

Note 1: Cash, bank and deposit balances includes deposits of Ksh 1,916,726,000 (2019: nil) maturing after three months and accrued interest on deposits of Ksh 86,371,000 (2019: 9,769,000) which are not included in cash and cash equivalents in the Summary Consolidated Statement of Cash Flows.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

All figures in Ksh'000	Share capital	Share premium	Accumulated deficit	Translation deficit	Non-controlling interests	Total
At 1 January 2019	432,156	9,155,166	(831,499)	(407,094)	120,404	8,469,133
Profit for the year	-	-	431,971	-	59,438	491,409
Other comprehensive loss	-	-	-	(23,129)	(6,777)	(29,906)
Dividend declared - 2018	-	-	(1,728,624)	-	(9,440)	(1,738,064)
At 31 December 2019	432,156	9,155,166	(2,128,152)	(430,223)	163,625	7,192,572
At 1 January 2020	432,156	9,155,166	(2,128,152)	(430,223)	163,625	7,192,572
Disposal of subsidiaries	-	-	1,209,513	-	-	1,209,513
Disposal of non-controlling interests	-	-	-	-	(16,646)	(16,646)
Exchange adjustment on disposal of discontinued operations	-	-	(119,515)	119,515	-	-
Profit for the year	-	-	469,258	-	(86,440)	382,818
Other comprehensive loss	-	-	-	(24,691)	(1,027)	(25,718)
Special interim dividend declared - 2020	-	-	(3,457,248)	-	(17,770)	(3,475,018)
At 31 December 2020	432,156	9,155,166	(4,026,144)	(335,399)	41,742	5,267,521



SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

All figures in Ksh'000	2020	2019
Cash (used in) / generated from operating activities before working capital changes	(230,428)	980,296
Working capital changes	229,467	252,460
Tax paid on operating income	(245,871)	(597,582)
Net cash (used in) / generated from operating activities	(246,832)	635,174
Net cash generated from investing activities	2,506,013	45,294
Net cash used in financing activities	(3,505,566)	(1,925,654)
Cash and cash equivalents at the beginning of the year	2,123,944	4,377,820
Cash and cash equivalents reclassified as held for sale	996,319	(996,319)
Net decrease during the year	(1,246,385)	(1,245,186)
Effect of fluctuations in exchange rates	(19,018)	(12,371)
Cash and cash equivalents at end of the year	1,854,860	2,123,944

The above summary consolidated financial statements are derived from the Group's financial statements which have been audited by Deloitte and Touche and were approved by the Board on 31 August 2021. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on WPP-Scangroup's website.

Accounting Policies

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2019 annual financial statements.

Outlook for 2021

Trading conditions continue to be challenging in the markets that the Group operates in, exacerbated by the effects of the global pandemic. However, following recent business wins and a reduced cost base, the Group is taking a cautiously optimistic view of 2021.

Foreign equity investments

The Group has five foreign investments Ocean Ogilvy Gabon, Ocean Central Africa, Ocean Burkina Faso, Ocean Afrique Occidentale and Ocean Conseil. The company has not accounted for these associates using the equity method as the Group has not been able to obtain financial information relating to the above entities for some time and all efforts by the Group to obtain any information from these entities has been to no avail. Additionally, the Group has not received any dividend returns. The company has made full provision on these investments a number of years ago.

SIGNIFICANT MANAGEMENT JUDGEMENTS IN THE PREPARATION OF ACCOUNTS

The management of the Company made a number of significant judgements in the preparation of the annual financial statements. Specifically the value of investments in subsidiaries and in associates was impaired by an amount of Ksh 3.4bn and Ksh 159m respectively due to the deteriorated economic outlook. Goodwill arising on consolidation, which represents the consideration paid in excess of the net assets of subsidiaries acquired, was similarly impaired by an amount of Ksh 315m.

PROPOSED DIVIDEND

The Company paid a special interim dividend of Ksh 8.00 per share on 28 July 2020 following the sale of shares in the Kantar businesses. The Directors do not recommend a final dividend for the year under review.

EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors suspended the employment of the Chief Executive Officer, Mr Bharat Thakrar and the Chief Finance Officer, Mr Satyabrata Das on 18th February 2021 to allow for an investigation into allegations of gross misconduct and possible offences in their capacity as senior executives and employees of the Company. The investigation was carried out by an internal team supported by external investigators working under the supervision of a sub-committee of the Board established for this purpose. During the course of the investigation into the allegations, Mr Thakrar and Mr Das tendered their resignations as Directors and as senior executives of the Company.

Following the completion of this investigation, the auditors of the Company extended the scope of their audit work. This extended audit process led to the delay in the Company being able to publish its 2020 results. Both shareholders and the Capital Markets Authority (CMA) have been kept informed regarding the delays and the expected date of publication of the results. The investigation did not identify items of a material nature that required adjustment to the results of the Company or the Group for the year ended 31 December 2020 or to the balance sheets at that date. Further information is included in note 36 of the full financial statements that are on the company's website.

By Order of the Board

Winnie Jumba
Company Secretary 31 August 2021

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

Opinion

The summary consolidated financial statements which comprise the summary consolidated statement of financial position as at 31 December 2020 and the summary consolidated statement of profit or loss and other comprehensive income, the summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of WPP Scangroup Plc for the year ended 31 December 2020. We expressed a qualified audit opinion on those financial statements in our report dated 31 August 2021.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of WPP Scangroup Plc, in accordance with the requirements of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulation, 2002 ("the Regulations") as applicable to summary financial statements. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of WPP Scangroup Plc for the year ended 31 December 2020.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

Summary Consolidated Financial Statements

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

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed a qualified audit opinion on the audited consolidated financial statements in our report dated 31 August 2021. The basis for our qualified audit opinion was that The Group has five foreign investments; Ocean Ogilvy Gabon, Ocean Central Africa, Ocean Burkina Faso, Ocean Afrique Occidentale and Ocean Conseil and has disclosed these as equity investments. The company has not accounted for these associates using the equity method which is in non-compliance with IFRS. The company considers them as immaterial as disclosed in the consolidated financial statements of WPP Scangroup Plc. We were not provided with sufficient and appropriate audit evidence to determine the appropriateness of the accounting treatment adopted and could therefore not determine if there were any adjustments required to the consolidated financial statements.

Our report also includes the communication of key audit matters as reported in the auditor's report on the audited consolidated financial statements. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

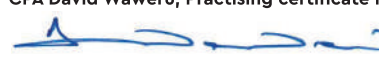
Directors' Responsibility for the Summary Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA David Waweru, Practising certificate No. 2204.


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

31 August 2021