ANNUAL REPORT 2018

WPP | SCANGROUP

CONTENTS

NOTICE OF THE ANNUAL GENERAL MEETING 2019

Notice is hereby given that the thirteenth Annual General Meeting of WPP Scangroup Plc will be held at Bomas of Kenya, Lang'ata Road, Nairobi, Kenya on Friday 10th May 2019 at 11.00 a.m. to transact the following business;

ORDINARY BUSINESS

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To receive and, If approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2018, together with the Chairman's, the Directors' and Auditor's Reports thereon.
4. i. To consider and approve a first and final dividend totaling Ksh 432,155,985.00 being Ksh 1.00 per share for the year ended 31 December 2018 payable before 10 June 2019 to shareholders on the Register of Members at the close of business on 10th May 2019.

   ii. To consider and approve a special dividend totaling Ksh 1,296,467,955.00 being Ksh 3.00 per share for the year ended 31 December 2018 payable before 10 June 2019 to shareholders on the Register of Members at the close of business on 10th May 2019.

5 To elect Directors:

   a) Ms. Patricia Ithau retires by rotation in accordance with Article 93 of the Company's Articles of Association and, being eligible, offers herself for re-election.

   b) Mr. Muchiri Wahome retires by rotation in accordance with Article 93 of the Company's Articles of Association, but does not offer himself for re-election.

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

   In accordance with Article 116 of the Company's Articles of Association, Mr. Pratul Shah, a director appointed to the Board to fill a casual vacancy, offers himself for election as a non-executive director.

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

   "In accordance with Article 116 of the Company's Articles of Association, Mr. Dominic Grainger, a director appointed to the Board to fill a casual vacancy, offers himself for election as a non-executive director."

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

   "In accordance with Article 95 of the Company's Articles of Association, Mr. Satyabrata Das, in respect of whom a Notice in writing has been received from a Shareholder and having been recommended by the Board, offers himself for election as an executive director."

6. To consider and if thought fit, to pass an ordinary resolution pursuant to Section 769 (1) of the Companies Act, 2015, to appoint the following members of the Board Audit and Risk Management Committee: –

   Mr. Pratul Shah

   Mr. Richard Omwela

   Mr. Jonathan Neil Eggar

7. To receive and approve the Directors' Remuneration Report

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

Notes:

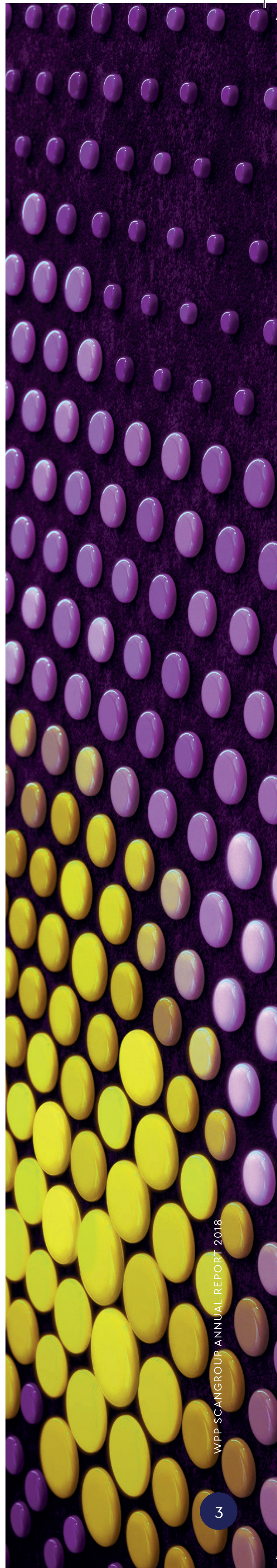
A Member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A Proxy Form may be downloaded from the Company's website, www.wpp-scangroup.com, or obtained from the Registrar, Comp-rite 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 Tuesday 7 May 2019.

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.wpp-scangroup.com, or obtained from the Registrar's office at the address given above. Registration of Members and proxies attending the Annual General Meeting will commence at 8.00 am on Friday 10th May 2019 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. 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.

By Order of the Board
Reuben Mwangi
Company Secretary
Nairobi



BOARD OF DIRECTORS

RICHARD OMWELA, OGW

Chairman and Independent Non-Executive Director

Richard, age 63, holds a Bachelor of Honours Degree in Law (LLB) Upper Class Division from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is an advocate of the High Court of Kenya. Richard is The Senior Partner at Hamilton Harrison and Matthews Advocates. He is a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. He is the Chairman of Nairobi Airport Services Limited (NAS) Chairman of African Banking Corporation Limited (ABC Bank) Chairman of The Monarch Insurance Company Limited and Chairman of the Kenya Rugby Union.

BHARAT THAKRAR

Chief Executive Officer

Bharat, age 67, is the founder shareholder of WPP Scangroup. He has over 40 years working experience in the Advertising and Communications industry. He holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation – UK. He has undergone various Executive Management Courses including at the Harvard Business School. He is a former Chairman of the Advertising Practitioners Association (APA) in Kenya, and is a member of the Advertising Standards Board. In 2012, Mr. Thakrar was awarded the Forbes Africa Advertising Leader of the Year. In 2015 he was honored by the Marketing Society of Kenya- MSK for his strong contribution in marketing within the industry.

ANDREW SCOTT

Non-Executive Director

Andrew, age 50, is Chief Operating Officer for WPP in Europe and is also WPP's Director of Corporate Development leading the Group's global Mergers & Acquisitions activity. Prior to joining WPP, Andrew was a strategy consultant at LEK Consulting. He holds an MBA with distinction from INSEAD.

LAURENCE MELLMAN

Non-Executive Director

Laurence, age 53, is Chief Operating Officer, International Specialist Communications at WPP. He has worked at WPP since 1996 and has undertaken a number of roles in both the WPP parent company and in the operating companies. Prior to joining WPP, Laurence trained as a Chartered Accountant with Pricewaterhouse Coopers in London and Manchester, qualifying in 1991. Laurence holds a degree in Commerce and Accounting from the University of Birmingham in the UK.

MUCHIRI WAHOME

Independent Non-Executive Director

Muchiri, age 56, is Chief Executive Officer of Deacons (EA) PLC, a fashion retail chain of stores. He has over 30 years of retail experience with subsidiary operations in Tanzania, Uganda and Rwanda. Muchiri is currently the Chairperson of the Retail Trade Association of Kenya, leading the sector in policy reforms and regulatory negotiations with the Government of Kenya. In 2013, he chaired the government led public/private "Committee on the Restoration of the Westgate Shopping Mall" following the terrorist attack. In 2005 he was awarded the Head of State commendation medal for implementing performance contracts with public bodies on behalf of the Government of Kenya.

He is also a Non-Executive Director of East African Packaging Limited, Tea Brokers East and Chairman of Othaya Girls Secondary School.

JONATHAN NEIL EGGAR

Non-Executive Director

Jonathan, age 43, joined WPP Scangroup in January 2014. Prior to this, he spent twelve years with WPP in a number of roles, both in the parent company and operating companies. Prior to joining WPP, he trained as a Chartered Accountant with Ernst & Young, qualifying in 2001. He holds a degree from Southampton University in the UK.

PATRICIA ITHAU

Independent Non-Executive Director

Ms.Patricia Ithau, age 53 is an experienced business executive and seasoned marketing professional. She is currently the Regional Director for the Stanford Graduate Business School Initiative, Stanford Seed supporting SME transformation. She has previously served as Managing Director of L"Oreal East Africa Ltd. Managing Director of EABL Venture and Managing Director of Uganda Breweries Ltd subsidiaries of East African Breweries Ltd, where she joined as Marketing Director – Kenya in 2005, and has also served as Marketing Director of Unilever in East Africa, where she began her career. She also sits on the Boards of Barclays Bank of Kenya Limited, Jambojet Limited, a subsidiary of Kenya Airways Limited, Trade Mark East Africa(TMEA), and KEPSA.

PRATUL SHAH

Independent Non-Executive Director

Mr. Pratul Shah was appointed a Director of the Company on 26 July 2018 to fill a casual vacancy. Pratul, age 64, has over 30 years of professional experience in general practice and specialist advisory areas in audit, tax planning, strategic planning, corporate finance and corporate recovery work with Pricewaterhouse Coopers, where he was a Partner. He currently assists companies in the banking, insurance, retail, manufacturing and services sectors develop their strategic plans and restructuring advice to compete and build shareholder wealth. He is an advisor to various Boards and has been a lead advisor in a number of merger and acquisition transactions. He has served on ICPAK's Technical and Ethics Committee, Banking & Insurance Committees and has been a past member of the Insurance Tribunals Board appointed by the Minister of Finance.

DOMINIC GRAINGER

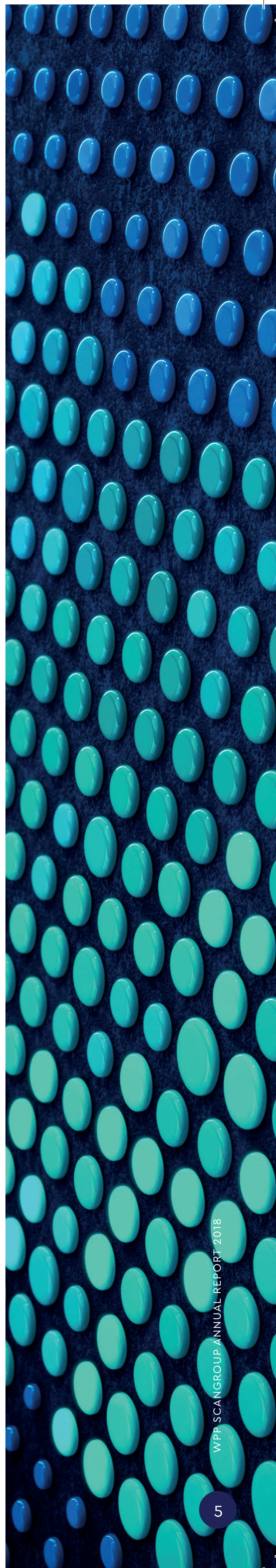
Non-Executive Director

Mr. Dominic Grainger was appointed a Director of the Company on 26 July 2018 as a nominee of WPP Plc to fill a vacancy resulting from the resignation of Mr. Scott Spirit from the WPP Group. Dominic, age 52, started his career at Price Waterhouse in 1987, working on many acquisitions across Europe. He joined Tempus Group Plc in 1997 and was involved in building and consolidating CIA's European and then global media network. In 2001, WPP Plc acquired Tempus and following the merger of CIA with The Media Edge in 2002, he was appointed Chief Executive Officer of MEC Europe, Middle East and Africa. He became Managing Director of GroupM Europe, Middle East and Africa when it was established in 2006 and was promoted to Chief Executive Officer in October 2008. He also leads the WPP Sports practice.

REUBEN MWANGI

Company Secretary

Reuben, age 54, is Head of Legal and Company Secretary at WPP Scangroup Limited and its subsidiaries in Kenya. He holds a Bachelor of Laws (LLB)degree from the university of Nairobi, a Diplomain Legal Practise from the KenyaSchool of Law and a member of the Law Society of Kenya. He is also a Certified Public Secretary and a life member of the Institute of Certified Public Secretaries of Kenya and a Certified Corporate Governance Auditor. Prior to joining WPP Scangroup Limited, Reuben worked in various capacities at Kenya Wildlife Service, CFC Bank Limited and Bollore Africa Logistics.



LETTER TO THE SHAREHOLDERS

Dear Shareholder,

We are pleased to present the annual report for WPP Scangroup Plc for the year ended 31 December 2018.

Economy

The economic environment in the countries in which the Group operates continued to be challenging. However as per World Bank, the recovery in Sub-Saharan Africa continued as well, albeit at a softer pace. Growth in the region is estimated to have increased from 2.4 percent in 2017 to 2.7 percent in 2018, slower than expected, partly due to weaknesses in Nigeria, South Africa, and Angola. The region also faced a tougher external environment in the year just ended due to moderating global trade, tighter financial conditions, and a stronger U.S. dollar. In East Africa, a rebound in growth was recorded in Rwanda, Uganda and Kenya, which grew by 7.7 percent, 6.8 percent and 5.9 percent, respectively, as at the third quarter of 2018 driven by improved agricultural performance attributed to improved weather conditions. In West Africa, several countries recorded growths of 6 percent and above which include Benin, Burkina Faso, Cote d'Ivoire, and Senegal.

In Kenya, the largest market for the group currently, the real GDP grew an estimated 5.9% in 2018, from 4.5% in 2017, supported by good weather, eased political uncertainties, improved business confidence, and strong private consumption. On the supply side, services accounted for 52.5% of the growth, agriculture for 23.7%, and industry for 23.8%. On the demand side, private consumption was the key driver of growth. A tighter fiscal stance reduced the fiscal deficit to an estimated 6.7% of GDP in 2018, with the share of government spending in GDP falling to 23.9% from 28.0% in 2017. To stimulate growth, the Central Bank of Kenya reduced the interest rate to 9% in July 2018 from 9.5% in May 2018. Nonetheless, a law capping interest rates discourages savings, reduces credit access to the private sector (especially small and medium enterprises), and impedes banking sector competition, particularly by reducing smaller banks' profitability. The exchange rate was more stable in 2018 than in 2017.

In Nigeria, the second largest market for the group, the real GDP growth was an estimated 1.9% in 2018, reflecting a recovery in services and industry—particularly mining, quarrying, and manufacturing. The recovery benefited from greater availability of foreign exchange. Growth in agriculture was lackluster, partly due to clashes between farmers and herders coupled with flooding in key middle-belt regions and continued insurgency in the northeast. On the macroeconomic front, the delay by parliament in approving the 2018 budget affected implementation and increased fiscal uncertainty by pushing the bulk of spending to the second half of the year.

In 2019, the continent's gross domestic product is expected to expand at the fastest pace since at least 2012. GDP growth for the continent is forecast to accelerate to 4 percent in 2019, up from an estimated 3.5 percent in 2018, making it the fastest-growing region in the world after Asia, according to the African Development Bank. The continent's economic growth will once again be driven by East Africa, which will be the fastest-expanding region for the fifth straight year. Ethiopia, Kenya, Rwanda and Tanzania all feature on the ADB's list of 10 fastest-growing economies for 2019. However, the key risks will be the difficult business conditions, poor infrastructure, reliance on commodity exports, and political tension in some countries. Debt sustainability in most economies of the region due to high levels of public debt will remain a key concern.

In 2019, Kenya's Real GDP is projected to grow by 6.0% in 2019 and 6.1% in 2020. Domestically, improved business confidence and continued macroeconomic stability will contribute to growth. Externally, tourism and the strengthening global economy will contribute. The government plans to continue fiscal consolidation to restrain the rising deficit and stabilize public debt by enhancing revenue, rationalizing expenditures through zero base budgeting, and reducing the cost of debt by diversifying funding sources. Inflation is projected to be 5.5% in 2019 and 5.4% in 2020 due to prudent monetary policy. Among downside risks are possible difficulties in making fiscal consolidation friendly to growth and in finding affordable finance for the budget deficit caused by tightening global markets. Boosting domestic resource mobilization and enhancing government spending efficiency are critical to restrain public borrowing. Kenya continues to face the challenges of inadequate infrastructure, high income inequality, and high poverty exacerbated by high unemployment, which varies across locations and groups (such as young people). Kenya is exposed to risks related to external shocks, climate change, and security. Kenya's Big Four (B4) economic plan, introduced in 2017, focuses on manufacturing, affordable housing, universal health coverage, and food and nutrition security. It envisages enhancing structural transformation, addressing deep-seated social and economic challenges, and accelerating economic growth to at least 7% a year. By implementing the B4 strategy, Kenya hopes to reduce poverty rapidly and create decent jobs. We remain cautiously optimistic in Kenya hoping that the worst for our industry and clients is over and only way left now is to grow.

Nigeria as per AFDB, the outlook for 2019 depends on the pace of implementing the Economic Recovery and Growth Plan, which anchors Nigeria's industrialization by establishing industrial clusters and staple crop processing zones to give firms a competitive edge through access to raw materials, skilled labor, technology, and materials. The federal government has made strides with institutional and governance reforms, including implementation of the Integrated Financial Management and Information System and the Integrated Payroll and Personnel Information System. Although Nigeria has a relatively low debt-to-GDP ratio, there is need for fiscal prudence to avoid a debt trap, especially as global interest rates start to rise. Therefore, contraction of new external debt should balance spending needs with capacity to improve the economy's competitiveness and stimulate growth. Nigeria accounts for nearly 20% of continental GDP and about 75% of the West Africa economy. Despite this dominance, its exports to rest of Africa are estimated at 12.7%, and only 3.7% of total trade is within the Economic Community of West African States. Nigeria has yet to ratify the Continental Free Trade Agreement, pending the outcome of broad consultations with captains of industry and other stakeholders. Nigeria is a critical market for WPP Scangroup in future and given that some of our offerings commenced operations in 2018, it could be an avenue for growth as we try and pose a higher value integrated proposition in the marketing services segment led by data, technology and creative.

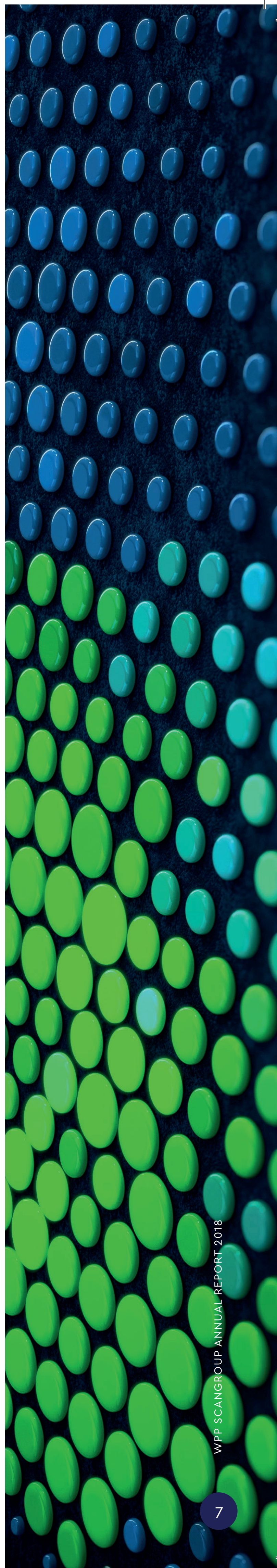
Industry Performance

Industry Performance was slow in 2018 given the various reasons outlined earlier. The industry continued to see extreme cost cutting in the previous year and we believe that such a level of cost optimization will be unsustainable for growth. Disposable income needs to increase to boost consumers spending, especially in the middle-income group. This will enhance growth for us and our clients across the continent. The industry performance was further stretched because of the interest rate caps which saw many small and medium sized enterprises struggling to fund their operations. Decline of purchasing power is one of the reasons why most of our clients have had a difficult 2018 in Kenya which also impacted our business.

Looking to the future

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

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



LETTER TO THE SHAREHOLDERS

(Continued)

Financial Performance

In 2018 the Group's billings were down by 2.1%, given the reduced spends by our clients but revenue increased by 9.3%. In our business, billings do not necessarily have a correlation with revenue because more than 50% of our revenue is from retainer fees which are not directly correlated to the level of client spend on media investment. Kenya accounted for 62% of the total revenue, down from the 73% in 2017, primarily on account of the TNS Kantar acquisition, which has a sizable presence in Nigeria and West Africa resulting in growth of revenues from Nigeria to 11% of the Group's revenues up from 6%. In terms of marketing discipline diversification, Advertising and Media services contribution to overall revenue reduced from 59% in 2017 to 56% in 2018 due to acquisition of TNS Kantar which bolstered the research numbers while digital and public relations increased their share of contribution. We expect this trend to continue in 2019 with Research continuing to be the majority contributor followed by Advertising and media, however we expect digital to become an integral part of all the mediums and continue to gain its share. We continue to manage our costs with prudence which saw a marginal increase of 4% due to the merging off the TNS Kantar operations for a six month period during 2018. Growth in Profit before tax (PBT) was positive at 38%, our interest income was similar to prior year due to improved yield on better cash flow management despite the constraint of lower interest rate. The Group's effective tax rate increased to 36.2% due to unavailability of the deferred tax benefit in Nigeria which brought down the rate in 2017 to 31.3%. This led to Profit after tax (PAT) being up by 28% and Earnings per share (EPS) up at Ksh1.37 due to non-controlling interests acquired in TNS Kantar.

Proposed Dividend

Your Board has recommended for approval at the Annual General Meeting (AGM) the payment of a final dividend of Ksh 1.00 per share for 432,155,985 shares amounting to Ksh 432,155,985 for the year ended 31 December 2018 (2017: Ksh 0.75 per share for 378,865,102 shares amounting to Ksh 284,148,826.50) The dividend proposal is 33% higher than the prior year keeping in view the cash balance held by the company and also to encourage a consistent growth in dividend policy.

Your board has also recommended for approval at the AGM, a special dividend of Ksh 3.00 per share for 432,155,985 shares amounting to Ksh 1,296,467,955. The dividend will be paid from retained earnings of the company which stood at Ksh 1,794,392,000 as at 31 December 2018.

Board

The Directors who held office in 2018 and up to the date of this report are listed on page 4.

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 10.

Corporate Social Responsibility

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

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

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

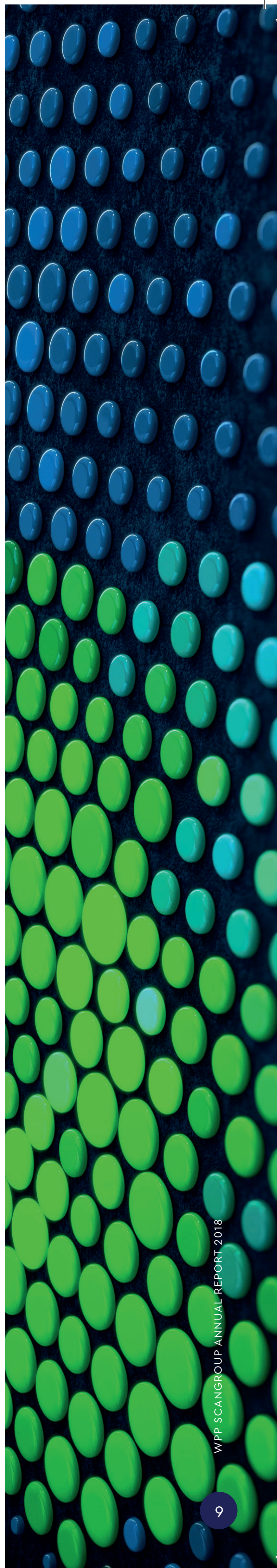
WPP Scangroup wants to be known for social, environmental and ethical leadership within the marketing services sector.

Further details are given in the Director's report.

Appreciation

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

Richard Omwela	**Bharat Thakrar**
Chairman	CEO
10 April 2019	



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. The Group submitted to the mandatory Corporate Governance Audit during the year under review, which was conducted by Ms. Scribe Services Registrars Limited, a certified and fully accredited Governance Auditors. The Group continues to adopt measures to implement the audit recommendations and undertake corrective measures recommended during the audit with a view to achieving full compliance with **The Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.**

Board and directors

During the year 2018, the Board comprised one executive director – Mr. Thakrar Eight Non-executive directors, four of whom, Mr. Omwela, Mr. Wahome Ms. Ithau and Mr. Shah are Independent Directors. Mr. Scott, Mr. Mellman, Mr. Grainger and Mr. Eggar are appointed by Cavendish Square Holding B.V. in accordance with the Company's Articles of Association. All the directors except the executive directors and the directors appointed by Cavendish Square Holding B.V. are required to retire at regular intervals and may offer themselves for re-election.

During the year, Mr. Scott Spirit resigned his position in March 2018 after leaving employment of WPP Plc, which had appointed him to the Board by virtue of his employment. Mr. David Hutchison, the Group's long serving Chairman retired at the Annual General meeting held on 31st May 2018 having attained the age of 73.

The Directors who held office during the year under review and to the date of this report are listed on page 4.

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

Audit & Risk Management Committee

Membership of the Audit & Risk Committee includes, four Non-executive directors: Mr. Shah (Chairman), Mr. Omwela, Mr. Wahome and Mr. Scott. The Chief Executive Officer, and the Chief Finance Officer are regular invitees to the Committee's meetings. In addition, the external auditor may be invited to attend as necessary, 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.

Nominating & Remuneration Committee

The Nominating & Remuneration Committee comprises of Mr. Omwela (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 need arises and in particular, gives consideration to succession planning taking into account the challenges and opportunities facing the Company and ensures that the necessary skills and expertise are available on the Board in the future. The Committee is responsible for; monitoring and appraising the performance of senior management, reviewing human resources policies and determining the Group's remuneration and incentive programs. Executive Directors and / or management are not present when their remuneration is discussed.

Board IT Oversight Committee

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

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

Chairman and chief executive officer

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

Directors' emoluments and loans

The aggregate amount of emoluments paid to Directors during 2018 are disclosed on page 58. No loan was given to the Executive Director nor Non-Executive Directors during the year. Directors' interest in the shareholding of the Company is set out on page 16.

Dealing in company's shares

The company has a policy on insider trading. Directors and staff are made aware that they ought not to trade in the company's shares while in possession of any material insider information that is not available to the public or during a closed period. To ensure compliance with the Companies Act, 2015 the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and Directors on an annual basis. To the best of the Company's knowledge, there was no insider dealing in the financial year under review.

Internal controls

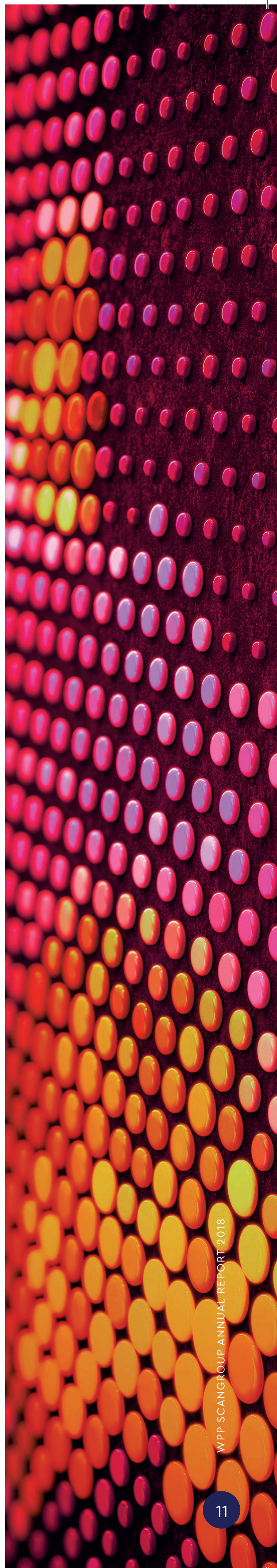
The Group has defined financial and operational performance measurement indicators and has implemented a series of financial controls to ensure complete and accurate reporting of financial and operational information. It periodically upgrades its management information reporting system to strengthen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

Business ethics

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

Investor relations

Information on the Company's shareholding is provided on page 16. The Company values its relationship with the shareholders and the investment community and ensures regular and reliable communication through publication of its financial performance, publication of the Annual Report, holding of the Annual General Meeting and other general meetings prescribed by law. The Company's primary communication channel remains the Nairobi Securities Exchange and media releases consistent with legal and regulatory requirements.



REPORT ON BOARD MEETING ATTENDANCE RECORD FOR 2018

The Board

WPP SCANGROUP PLC

		Position	20/02	25/04	26/07	27/11	% Attendance
1	David Hutchison	Chairman	√	√	Rtd	Rtd	100
2	Bharat Thakrar	Director/CEO	√	√	√	√	100
3	Richard Omwela	Chairman	√	√	√	√	100
4	Muchiri Wahome	Director	√	√	×	×	50
5	Andrew Scott	Director	×	×	×	×	0
6	Lawrence Mellman	Director	√	√	√	√	100
7	Jonathan Eggar	Director	√	√	√	√	100
8	Patricia Ithau	Director	√	×	×	√	50
9	Scott Spirit	Director	n/a	√	Rtd	Rtd	100
10	Pratul Shah	Director	n/a	n/a	√	√	100
11	Dominic Grainger	Director	n/a	n/a	√	√	100

Signed

Reuben Mwangi

Company Secretray

CORPORATE INFORMATION

DIRECTORS	Richard Omwela	Chairman
	Bharat Thakrar	Chief Executive Officer
	Jonathan Neil Eggar*	
	Muchiri Wahome	
	Andrew Scott*	
	Laurence Mellman*	
	Patricia Ithau	
	Dominic Grainger*	
	Pratul Hemraj Shah	
		* British
SECRETARY	Reuben Mwangi Certified Public Secretary (Kenya) The Chancery, 5th Floor Valley Road, Upper Hill P. O. Box 34537- 00100 Nairobi	
REGISTERED OFFICE	The Chancery, 5th Floor Valley Road, Upper Hill P. O. Box 34537- 00100 Nairobi Telephone: +254 (20) 2710021, 2799000	
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P. O. Box 40092 – 00100 Nairobi	
PRINCIPAL BANKER	Stanbic Bank Kenya Limited Upper Hill Medical Centre Branch P.O. Box 2492 – 00200 Nairobi	
LEGAL ADVISOR	Daly & Inamdar Advocates ABC Place, 6th Floor Waiyaki Way P. O. Box 40034 – 00100 Nairobi	
SHARE REGISTRARS	Comp-rite Kenya Limited 2nd Floor, Crescent Business Centre The Crescent, off Parkland Road P.O. Box 64328 – 00619 Nairobi	

GROUP COMPANIES, BUSINESS ACTIVITIES AND GEOGRAPHIC PRESENCE

Business Activities	Country	Business Activities	Country
Advertising		**Media investment management**	
Scanad Ghana Ltd.	Ghana	GroupM Africa Ltd.	Kenya
Ogilvy Ghana Ltd.	Ghana	MEC Africa Ltd.	Kenya
Scanad Kenya Ltd.	Kenya	Media Compete East Africa Ltd.	Kenya
J. Walter Thompson Kenya Ltd.	Kenya	Mindshare Kenya Ltd.	Kenya
Scanad Africa Ltd.	Kenya	Ogilvy Africa Media Ltd.	Kenya
Grey East Africa Ltd.	Kenya	Scangroup (Malawi) Ltd.	Malawi
Ogilvy & Mather (Eastern Africa) Ltd.	Kenya	Scangroup (Mauritius) Ltd.	Mauritius
Geometry Global Ltd.	Kenya	Scangroup Mozambique Limitada	Mozambique
Ogilvy Africa Ltd.	Kenya	Scangroup (Zambia) Ltd.	Zambia
Ogilvy Kenya Ltd.	Kenya		
Scanad Nigeria Ltd.	Nigeria		
Scanad Rwanda Ltd.	Rwanda	**Public relations**	
O&M Africa B.V. (Branch Office)	South Africa	Hill & Knowlton East Africa Ltd.	Kenya
Scanad Tanzania Ltd.	Tanzania	Ogilvy Public Relations Ltd.	Kenya
J.Walter Thompson Tanzania Ltd.	Tanzania	Hill & Knowlton Strategies Nigeria Ltd.	Nigeria
Ogilvy Tanzania Ltd.	Tanzania	Hill & Knowlton Strategies Uganda Ltd.	Uganda
Scanad Uganda Ltd.	Uganda	Hill + Knowlton Strategies SA Pty Ltd.	South Africa
JWT Uganda Ltd.	Uganda	WPP Team Gabon SARL	Gabon
Ogilvy & Mather Zambia Ltd.	Zambia		
		Digital advertising	
Market research		Squad Digital Ltd.	Kenya
Millward Brown West Africa Ltd.	Ghana	Squad Digital Nigeria Ltd.	Nigeria
Millward Brown East Africa Ltd.	Kenya		
Millward Brown Nigeria Ltd.	Nigeria	**Speciality communication**	
TNS RMS East Africa Ltd.	Kenya	Roundtrip Ltd.	Kenya
TNS RMS Nigeria Ltd.	Nigeria		
TNS RMS International (GH) Ltd.	Ghana		
TNS RMS Cote D'Ivoire Sarl	Ivory Coast		
TNS RMS Cameroon Ltd.	Cameroon		
TNS RMS Senegal SA	Senegal		
TNS RMS UK Ltd.	UK		

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

HISTORICAL FINANCIAL TRENDS

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR THE YEAR

All figures in Ksh'000	**2018**	**2017**	**2016**	**2015**	**2014**
Billings	13,821,790	14,118,620	16,306,447	16,791,084	16,886,418
Revenue	4,504,904	4,122,869	4,835,073	5,022,408	5,125,162
Interest income	291,104	290,412	406,528	436,098	248,253
Profit before taxation	959,888	696,414	725,925	875,271	912,277
Tax charge	(347,679)	(218,471)	(265,545)	(396,599)	(286,801)
Profit after tax	612,209	477,943	460,380	478,672	625,476
Non controlling interests	(57,728)	(23,247)	(37,395)	(55,096)	(58,469)
Profit available to Scangroup Shareholders	554,481	454,696	422,985	423,576	567,007
Basic earnings per share (EPS) (Ksh')	1.37	1.20	1.12	1.12	1.50
Weighted average number of shares (million)	**405.51**	**378.87**	**378.87**	**378.87**	**378.87**

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

All figures in Ksh'000	**2018**	**2017**	**2016**	**2015**	**2014**
ASSETS					
Non – current assets	3,184,247	2,834,897	2,374,237	2,331,575	2,360,945
Current assets	11,240,951	10,924,015	11,112,161	10,136,904	10,923,159
Total assets	**14,425,198**	**13,758,912**	**13,486,398**	**12,468,479**	**13,284,104**
LIABILITIES					
Non – current liabilities	505,080	5,880	4,662	185,756	301,464
Current liabilities	5,430,739	4,787,863	4,673,097	3,678,463	4,440,009
Equity	8,489,379	8,965,169	8,808,639	8,604,260	8,542,631
Total Equity and Liabilities	**14,425,198**	**13,758,912**	**13,486,398**	**12,468,479**	**13,284,104**

SHAREHOLDERS INFORMATION
TOP 10 SHAREHOLDERS

Rank	Name	Number of shares held	% of issued share capital
1.	Cavendish Square Holding B.V	176,903,560	40.94%
2.	Russell Square Holding B.V	53,290,883	12.33%
3.	Standard Chartered Kenya Nominees Ltd A/c KE002335	50,143,461	11.60%
4.	Bharat Kumar Thakrar and Sadhna Bharat Thakrar	45,302,860	10.48%
5.	Standard Chartered Kenya Nominees Ltd A/c KE20510	17,817,741	4.12%
6.	Ogilvy and Mather South Africa (Proprietary) Limited	12,907,856	2.99%
7.	Standard Chartered Kenya Nominees Ltd A/c KE002382	11,122,952	2.57%
8.	Standard Chartered Kenya Nominees Ltd A/c KE003280	10,622,393	2.46%
9.	Standard Chartered Kenya Nominees Ltd. A/C KE002471	10,556,800	2.44%
10.	Bora Services Ltd-Sers 1	3,533,267	0.82%
	Total	**392,201,773**	**90.75%**

SHAREHOLDERS BY RANGE

Range	Number of Shareholders	Number of shares held	% of issued share capital
1 -500	17,989	5,973,859	1.38%
501 – 1,000	3,294	2,236,578	0.53%
1,001 – 5,000	1,913	3,900,669	0.90%
5,001 – 10,000	258	1,784,429	0.41%
10,001 – 50,000	227	4,459,757	1.03%
50,001 – 1000,000	78	15,773,700	3.65%
Above 1,000,000	14	398,026,993	92.10%
Total	**23,773**	**432,155,985**	**100.00%**

SHAREHOLDING BY CATEGORY

Category	Number of Shareholders	Number of shares held	% of issued share capital
Foreign Investors	299	346,248,297	80.12%
East Africa Individuals	22,523	62,024,088	14.35%
East Africa Institutions	951	23,883,600	5.53%
Total	**23,773**	**432,155,985**	**100%**

DIRECTORS SHAREHOLDERS

Name	Number of shares held	% of issued share capital
Bharat Kumar Thakrar (Jointly owned with Sadhna Bharat Thakrar)	45,302,860	10.48%
Richard Omwela	2,520	0.00%
Jonathan Neil Eggar	300,000	0.07%
Total	**45,605,380**	**10.55%**

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

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of WPP Scangroup Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2018, which disclose its state of affairs.

PRINCIPAL ACTIVITY

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Profit before tax	959,888	696,414	289,102	311,288
Tax charge	(347,679)	(218,471)	(30,551)	(54,712)
Profit for the year	612,209	477,943	258,551	256,576
Other comprehensive (loss) / income	(97,120)	34,088	–	–
Total comprehensive income for the year	515,089	512,031	258,551	256,576

Detailed results on page 33

DIVIDENDS

The directors propose a first and final dividend of Ksh 1.00 per share totalling Ksh 432,155,985 based on 432,155,985 shares in issue (2017: Ksh 0.75 per share totalling Ksh 284,148,826.50 based on 378,865,102 shares). The directors also propose a special dividend of Ksh 3.00 per share totalling Ksh 1,296,467,955 based on 432,155,985 shares in issue (2017: Nil).

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 10 May 2019. Dividend payment will be subject to withholding tax where applicable.

DIRECTORS

The current members of the Board of Directors are as shown on Page 4–5

Mr. David Hutchison retired from the board with effect from 26 July 2018 while Mr. Pratul Shah and Dominic Grainger were appointed as directors with effect from the same date.

Mr. Muchiri Wahome retires by rotation under the provision of Article 93 of the Articles of Association and being eligible offers himself for re-election as a director.

Ms. Patricia Ithau retires by rotation under the provision of Article 93 of the Articles of Association and being eligible offers herself for re-election as a director.

ENHANCED BUSINESS REVIEW

OVERVIEW

WPP Scangroup Plc remains committed to provide its clients best in class marketing services true to its mission statement to be the best marketing services solutions provider in Sub Saharan Africa. While the industry is going through a digital disruption as has been seen globally, the company has already been adapting by integrating the digital thinking in the traditional capacity. The company believes that the future is in technology and data driven marketing however, it may take some time for complete adaptation by local clients. We are already seeing some success in our in house developed data and technology products which we believe will be the future growth and margin drivers for our group. While there is immense excitement and value in digital, the same is not reflected in the overall spends. TV and Radio continue to be dominant while digital has been relatively small despite global trends.

OPERATIONS

The year 2018 was a tough economic year due to the general business climate where cost optimisation was the key word in our clients business. In addition, the interest rate cap policy hurt many sectors by reducing liquidity. We were not any different and faced revenue pressures like our clients in this difficult market environment. Lack of competition in the telecom segment adversely impacted the spends in the traditional media sector and the FMCG companies continued to face topline pressure, and as a result reduced their marketing activity and therefore media spend. Similarly, the banking sector also reduced marketing activity due to the interest rate caps and in order for them to maintain their margin. We were also severely impacted by lack of spends from parastatals who were cash starved. However, as a result of this reduced activities, we took cost control measures and still maintained our service delivery to client by being more innovative and efficient and delivering cost effective solutions. We were considerably able to reduce our cost but could not match the drop in top-line businesses.

In 2018, we also acquired TNS, which is a research business and were able to draw synergies very quickly. This being one of the main reasons of our positive results. This allowed us to recover from our decline in existing business to show growth in topline after four years. The synergies we were able to achieve also improved our profitability and cash from operations.

GOVERNANCE

WPP Scangroup Plc Board of Directors are 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 also collectively responsible for promoting the success of the company by directing and supervising the company's policy and strategy and is responsible to shareholders for the Group's financial and operational performance and risk management. The Board is committed to complying with legislation, regulation and best practice, and it has in particular adopted the Capital Markets Authority guidelines on Corporate Governance practices by public listed companies in Kenya.

As required by the CMA, we conduct the yearly governance audit. The audit in 2018 through independent and authorised auditors gave us a score of 83.35% overall. While we endeavour to improve in all the areas the score suggest that WPP Scangroup's policies, systems, practices and processes are within the legal and regulatory framework and in line with the global best practices on corporate governance.

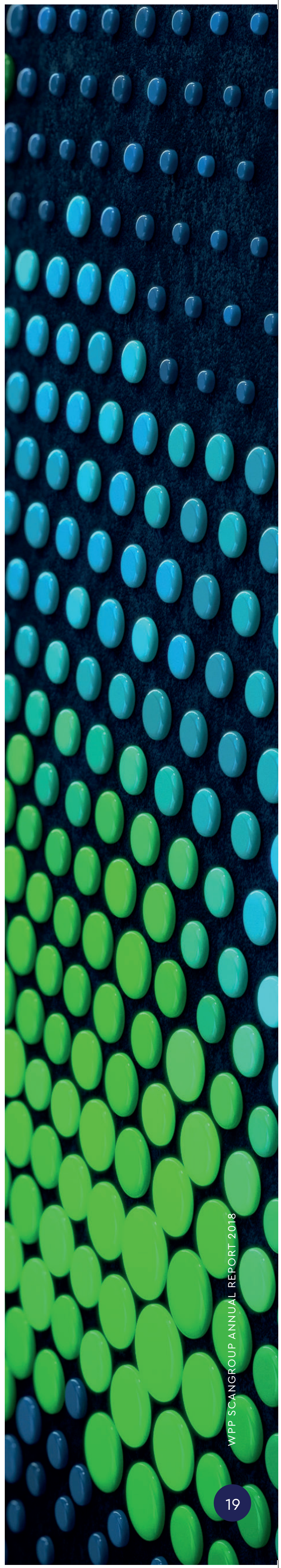
CSR & SUSTAINABILITY

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

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

Our companies help clients to understand sustainability, embed green and ethical values in their brands and communicate their progress. We focus on six priority sustainability themes that are important for WPP Globally and support our relationships with clients, employees, investors and other stakeholders. These are:

- Our client's work – providing sustainability services to clients and applying high ethical standards to the way we work, including protecting consumer privacy.
- Employment – adopting leading employment practices to recruit retain and develop our people.
- Environment – cutting our environmental impact including reducing our carbon footprint.
- Supply chain – integrating sustainability into our procurement decisions.



REPORT OF THE DIRECTORS

(Continued)

- Social investment – supporting charities, through pro bono work, donations and volunteering and by negotiating free media space for charity campaigns.
- Governance and management – managing sustainability risks and opportunities in our businesses.

The following activities were initiated in 2018:

1. KENYA:

a) Rescue Dada centre Initiative:

WPP Scangroup played the role of co-ordinating a multi-company pro-bono project in Nairobi.

Through internal communication and co-ordination employees donated funds and assortments of food stuffs, clothes and sanitary towels, to the Rescue Dada Centre, a Nairobi-based rehabilitation centre that supports street girls and girls from vulnerable backgrounds to rebuild their lives away from streets.

The items were delivered to the Centre by representatives from various agencies within the Group and a cheque was handed to the Centre's Project Manager Mary Gatitu by WPP Scangroup CEO, Bharat Thakrar and witnessed by the Human Resource Director.

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

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

b) GIVE:

Ogilvy Africa launched GIVE, an initiative which aims to support the creative talent across Sub Saharan markets they operate in and help underprivileged youth in communities to gain the much-needed creative skills.

The initiative comprised of approaches, which include Giving time and giving space. Through Give Time, Ogilvy staff dedicated time to teach and share creative skills and ideas with students. This will include areas such as creative writing, drawing and photography.

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

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

c) KANTAR (TNS/MB) School sponsorship:

Dr Ribiero Parklands Primary (Cerebral Palsy Unit) – We planted trees and flowers, constructed a playpen, toys and playmats, provided Diapers, fruits & Milk (all in one event – during the Kantar First day) and spent the day with the kids.

Riruta Satellite Primary – We made/donated 60 desks which were delivered early 2019 and also did a charity drive with staff to raise text books for Grade 4 & 5 (Specifically Maths, English and Swahili) as well as Sanitary pads for the girls. We also did empowerment talks separately (different topics) for the girls and the boys.

We also did a blood donation drive at the office.

2. TANZANIA:

a) Clean-up of Coco-Beach in Dar es Salaam:

The WPP Scangroup Tanzania team came together to spend time in cleaning one of the biggest public recreational beaches in Dar es Salaam.

We partnered with the local authority to help clean up the shores of the beach since the local authority had a shortage of resource personnel to aid in the effective regular clean ups.

3. SOUTH AFRICA:

a) H+K SA schools sponsorship:

Part of BEE responsibility, Development of school children by financial sponsorship of training teachers and also donating school supplies.

4. NIGERIA:

a) H+K NIGERIA + WARIF:

WARIF – Women at Risk International Foundation – A non-profit organization incorporated in 2016 in response to the high incidence of sexual violence, rape and human trafficking occurring amongst young girls and women across Nigeria. (WARIF) was established to raise awareness and address the prevalence of this problem through the development and implementation of a series of initiatives, targeting both the intervention/treatment of these affected women, as well as providing preventive measures to reduce the high incidence.

H+K has successfully on pro- bono terms helped WARIF with the launch and amplification of its initiatives and activities.

For its BCC initiative, H+K managed the launch event and on ground press activities. In July 2018, H+K created awareness for WARIF's USAID grant, across tier 1 and 2 print and broadcast media platforms in Nigeria.

H+K also helped to create visibility for WARIF's Law enforcement agents, and birth attendants training in Nigeria as part of its initiatives and guarantor alliance with USAID.

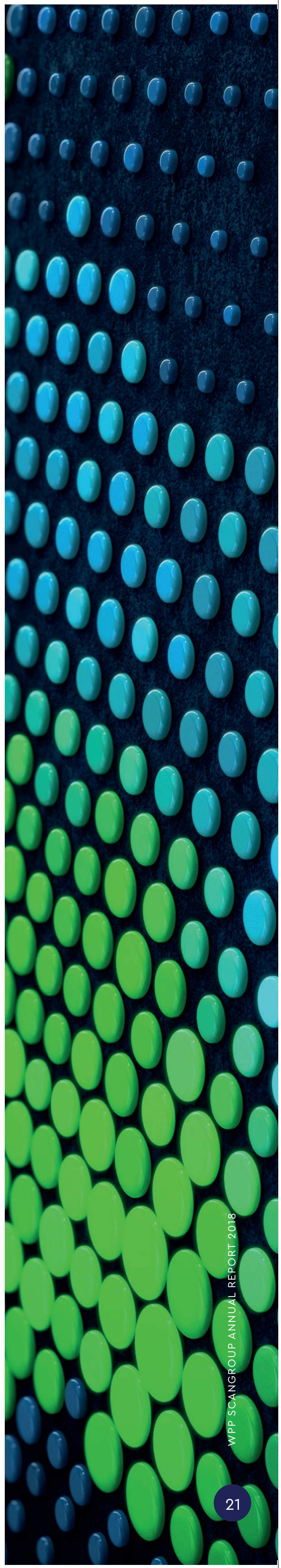
In November, H+K developed a 16 Days of Activism Campaign for WARIF tied to the UN's initiative on violence against women. A series of emotive photos were syndicated across media platforms to create awareness about the prevalence of rape and violence against women in Nigeria, which were accompanied by blog posts, press releases and media interviews.

STRATEGIC GOALS & KEY PRIORITIES FOR 2019

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

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

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



REPORT OF THE DIRECTORS

(Continued)

STAFF

As the business expands we are committed to the recruitment of local talent with a goal to hone their skills and also provide growth opportunities through exchange programs. Management continues to be committed to the improvement in its staff capabilities in 2018. Though the economic view is a bit cautiously optimistic given the current business environment, but management also firmly believes a team effort will be key in overcoming all hurdles.

In 2018, we offered a huge range of quality training opportunities to develop our people's skills, and to help our business grow in areas such as technology, branding, negotiations and influence.

We put significant resources into training our people in addition to developing many of our own bespoke training programs.

The training was at both Group and agency levels and some of the key initiatives includes:

1. First Chair: Highly intensive and interactive program to help develop our resource's consulting skills.
2. WPP Walk the talk – Women in Leadership training championing diversity and inclusion of all our women in the business.
3. Coaching skills by Aga Khan: Unlocking personal potential in resources by helping them overcome internal challenges and growing their leadership skills.
4. Digital skills enhancement: e.g.Lynda.com: online learning to equip resources with digital & technology proficiency.
5. Mindscapes: Creative and Planning tools to help creatives grow their insight and delivery technique.
6. CI Africa: Digital learning to upskill client teams in implementing effective digital practice / plans.
7. 30 for 30: Leadership program consisting of coaching, sponsorship and learning for our best talent.
8. Ogilvy Academy: Internal training program which allows the 2nd bench teams to learn from current leads within the group on key expertise such as finance, branding, influence and HR matters.
9. Regulatory and legal training: for HR, Finance and Legal teams.
10. Lunch and learn: Key note speaker training to equip our resources with life skills.

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

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

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

LOOKING AHEAD

There is cautious optimism all around with hope that there will be ease in credit and that there will recovery in the majority sectors which will lead the economic and GDP growth. The Kenyan currency has been the most stable across the region owing to diaspora flow and increasing foreign exchange reserves. The digital disruption is completely changing our market and industry and is forcing us to change the way we work and operate. While we adapt to the new ways of working and providing business solutions through data, technology and new age relevant creatives, we are also cautiously optimistic of normal economic activity to resume and growth possibilities for our business in 2019 not only in the new lines and products but also in our traditional form of business.

EMPLOYEE STATISTICS

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

i) Categorisation by employment contract

	31 December 2018	31 December 2017
Permanent	677	638
Contracted	555	214
	1,232	**852**

ii) Categorisation by gender

	31 December 2018		31 December 2017	
	Male	**Female**	**Male**	**Female**
Senior leadership	61%	39%	65%	35%
Head of Department	55%	45%	42%	58%
Senior Managers	50%	50%	65%	35%
Overall	54%	46%	57%	43%

KEY CORPORATE RISKS AND MITIGATING FACTORS

The Group is exposed to risks in its business environment which affects the achievement of its objectives. To lessen the impact on the business, mitigating factors have been put in place. The Board of Directors have established a Risk management committee which is responsible for developing and monitoring the Group's risk management policies. These policies are established to identify and analyse the risks faced by the Group, set appropriate risk limits and to monitor risks and adherence to limits.

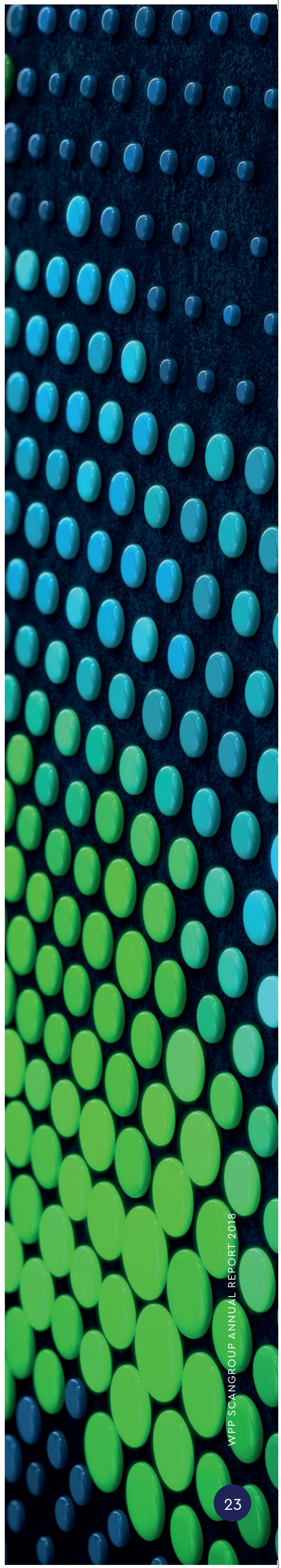
BOARD ANNOUNCEMENTS

In July 2018, Mr. Pratul Hemraj Shah and Mr. Dominic Grainger were appointed as Non-Executive Directors of WPP Scangroup Plc.

Mr. Shah has over 30 years of professional experience gained both in general practice and specialist advisory areas with PricewaterhouseCoopers, where he was a Partner. He has gained wide experience in audit, tax planning, strategic planning, corporate finance, and corporate recovery work. He is currently involved in assisting companies develop their strategic plans and restructuring advice with emphasis to create change, both operationally and functionally, to compete and build shareholder wealth. These have involved companies in the banking, insurance, retail, services and manufacturing sectors. Pratul is retained as advisor to various Boards and has been a lead advisor in a number merger and acquisition transactions.

He has served on Institute's (ICPAK) Technical and Ethics Committee, Banking & Insurance Committees. He has been a past member of the Insurance Tribunals Board appointed by the Minister of Finance. He is a Non-executive Board member of Car & General (Kenya) Limited, a listed company, Auto Xpress Limited, Reliance Insurance Company (T) Limited – Tanzania, APA Insurance Limited – Uganda, I&M Bank (T) Limited – Tanzania on all of which he is also chairs their audit committees. He is also a non – executive director on various other companies (Coastal Bottlers Limited, Gordon Court Limited and others).

Dominic started his career at Price Waterhouse in 1987, where he advised a number of FTSE 100 companies and multinationals specialising in mergers and acquisitions across Europe. His advertising-related clients included CIA Group (later Tempus Group PLC) as it started to expand by acquisition across Europe from 1993 onwards.



REPORT OF THE DIRECTORS

(Continued)

He joined CIA in 1997 as Chief Financial Officer of CIA Europe where he was heavily involved in building and then consolidating the European network. Dominic became Chief Operating Officer when CIA Worldwide was created in 2001. In late 2001, Tempus was acquired by WPP and following the merger of CIA with The Media Edge in 2002, Dominic was appointed Chief Executive Officer of MEC Europe, Middle East and Africa. Dominic became Managing Director of GroupM Europe, Middle East and Africa when it was established in January 2006 and was promoted to Chief Executive Officer in October 2008. GroupM is the leading media investment group in the EMEA region.

Dominic also leads the WPP Sports practice bringing together for clients the best of WPP's sports capabilities and assets across the group.

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

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

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

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

By Order of the Board

Reuben Mwangi

Secretary

10 April 2019

Nairobi

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

DIRECTORS' REMUNERATION REPORT

Chairman's statement

The Directors remuneration policy sets out the guidelines that the Group and Company have applied to remunerate its Executive and Non-Executive Directors. The Directors remuneration report has been prepared in accordance with the relevant provisions of the CMA code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015.

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

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

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

Executive Directors

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

Non-Executive Directors

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

Travel and related expenses

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

Implementation report

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

Directors' Contract of Service

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

	Name	Position	1st date of appointment	Last re-election	Date of end of current tenure
1	Richard Omwela	Chairman/ Director	14/11/2005	26/05/2017	25/05/2020
2	Bharat Thakrar	Director/CEO	26/01/1999	N/A	N/A
3	Andrew Grant Balfour Scott	Director	31/10/2008	N/A	N/A
4	Jonathan Neil Eggar	Director	29/05/2015	N/A	N/A
5	Wahome Muchiri	Director	14/11/2005	31/05/2016	30/05/2019
6	Lawrence Mellman	Director	17/04/2012	N/A	N/A
7	Patricia Ithau	Director	15/03/2017	15/03/2017	25/05/2020
8	Pratul Hemraj Shah	Director	26/07/2018	26/07/2018	25/07/2021
9	Dominic Grainger	Director	26/07/2018	26/07/2018	N/A

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

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

INFORMATION SUBJECT TO AUDIT

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

31 December 2018

All figures in Ksh'000

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

31 December 2017

All figures in Ksh'000

Director	Salary	Allowances	Fees	Value of non cash benefits	Total
Bharat Thakrar	42,850	29,468	–	7,091	79,409
Jonathan Neil Eggar	30,000	1,912	–	1,035	32,947
David Hutchison	–	–	1,200	–	1,200
Richard Omwela	–	–	700	–	700
Muchiri Wahome	–	–	660	–	660
Patricia Ithau	–	–	455	–	455
Total	**72,850**	**31,380**	**3,015**	**8,126**	**115,371**

Reuben Mwangi
Company Secretary
Nairobi
10 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

Approved by the board of directors on 10 April 2019 and signed on its behalf by:

Richard Omwela
Director

Bharat Thakrar
Director

Deloitte & Touche
Certified Public Accountant (Kenya)
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC

Report on the Audit of the Consolidated and Company Financial Statements

Our Opinion

We have audited the accompanying consolidated and company financial statements of WPP Scangroup Plc ("the Group") set out on pages 33 to 76, which comprise the consolidated and company statements of financial position as at 31 December 2018, the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and consolidated and company statements of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements give a true and fair view of the financial position of the Group and of the company as at 31 December 2018 and of their consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

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

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

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC (CONTINUED)

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter

Goodwill
 	
Goodwill represents consideration paid in excess of the fair value of the net assets of the subsidiaries acquired. As at 31 December 2018, the goodwill balance was Ksh 1,590,913,000 (2017: Ksh 1,612,235,000) representing 11% (2017: 12%) of the total assets of the Group. This asset has been recognised in the consolidated statement of financial position as a consequence of the acquisition of subsidiaries disclosed in note 15 of the consolidated financial statements.
 	
As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. This assessment led to a provision of impairment of goodwill of Ksh 21,322,000.
 	
As disclosed in note 6.b to the consolidated financial statements, there are a number of critical accounting judgements made and key sources of estimation in determining the inputs into these models which include:
 	
• Growth rates applicable to the cash generating units (CGUs) to which goodwill has been allocated based on directors' view of future business prospects
• Estimation of the future cash flows expected to be generated by the CGUs
• The discount rates applied to the projected future cash flows to arrive at the present value
 	
Accordingly, the determination of the carrying value of goodwill and related impairment test of this asset requires the directors' significant judgement and estimations and we therefore considered it to be a key audit matter.
	Our procedures included challenging the directors on the suitability of the impairment model and reasonableness of the assumptions through performing the following audit procedures:
	
	• Engaged our internal fair value specialists to assist with:
	    • Assessing the methodology used in preparing the impairment testing model;
	    • Critically evaluating whether the model used by the directors to calculate the value in use of the individual CGUs complies with the requirements of IAS 36, Impairment of Assets; and
	    • Reviewing the assumptions used to calculate the growth and discount rates and assessing these rates for reasonableness.
	• Analysed the key assumptions used in the impairment model for goodwill, including specifically, the long term growth rates, operating cash flow projections and discount rates. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin.
	• Analysed the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonableness of the directors' projections.
	• Subjected the key assumptions to sensitivity analyses.
	• Tested the integrity and mathematical accuracy of the impairment model and agreeing relevant input data to externally derived data (where applicable) as well as forming our own assessment.
	
	We found that the assumptions used by the directors were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances.
	
	We consider the disclosures in the consolidated financial statements of the goodwill asset to be appropriate.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC (CONTINUED)

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and company's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or company to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report of the Directors

In our opinion the information given in the Report of the Directors on pages 18 to 24 is consistent with the consolidated and company financial statements.

Directors' Remuneration Report

In our opinion the auditable part of the Directors' Remuneration report presented on pages 26 to 27 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi
10 April 2019

CPA Anne Muraya, Practising certificate No. 1697
Signing partner responsible for the independent audit

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		CONSOLIDATED		COMPANY	
All figures in Ksh'000	**Notes**	**2018**	**2017**	**2018**	**2017**
Billings	7	13,821,790	14,118,620	1,624,741	1,885,130
Direct costs		(9,316,886)	(9,995,751)	(1,497,194)	(1,746,843)
Revenue		4,504,904	4,122,869	127,547	138,287
Interest income net of interest expense	8	291,104	290,412	249,592	192,179
Other income	9	31,559	21,130	207,567	238,255
Share of profit / (loss) in associates	16	25,131	–	(6,921)	–
Operating and administrative expenses		(3,863,870)	(3,710,602)	(277,054)	(243,177)
Impairment of investment in associates	16	(2,461)	–	–	–
Impairment of goodwill	20	(21,322)	–	–	–
Foreign exchange losses		(5,157)	(27,395)	(11,629)	(14,256)
Profit before tax	10	959,888	696,414	289,102	311,288
Tax charge	11	(347,679)	(218,471)	(30,551)	(54,712)
Profit for the year		**612,209**	**477,943**	**258,551**	**256,576**
Other comprehensive (loss) / income:					
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations		(97,120)	34,088	–	–
Total comprehensive income for the year		**515,089**	**512,031**	**258,551**	**256,576**
Profit attributable to:					
Equity share holders of the parent company		554,481	454,696	258,551	256,576
Non-controlling interests		57,728	23,247	–	–
		612,209	**477,943**	**258,551**	**256,576**
Total comprehensive income attributable to:					
Equity share holders of the parent company		467,418	488,099	258,551	256,576
Non-controlling interests		47,671	23,932	–	–
		515,089	**512,031**	**258,551**	**256,576**
Basic earnings per share (Ksh)	13	1.37	1.20	0.64	0.68
Diluted earnings per share (Ksh)	13	1.37	1.20	0.64	0.68

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

All figures in Ksh'000	Notes	CONSOLIDATED 31 December 2018	CONSOLIDATED 31 December 2017	COMPANY 31 December 2018	COMPANY 31 December 2017
ASSETS					
Non-current assets					
Equipment	14	361,613	340,186	99,089	125,165
Investment in subsidiaries	15	–	–	7,756,994	6,646,821
Investments in associates and other equity investment	16	197,781	4,541	166,555	–
Long term loan receivable	17	–	498,684	–	498,684
Long term loans to related companies	18	314,256	–	414,189	66,124
Deferred tax asset	19	719,684	379,251	241,513	196,734
Goodwill	20	1,590,913	1,612,235	–	–
		3,184,247	**2,834,897**	**8,678,340**	**7,533,528**
Current assets					
Trade and other receivables	21(i)	5,637,216	6,501,076	311,168	961,817
Work-in-progress	21(ii)	73,960	93,055	3,849	5,897
Receivable from related parties	18	263,300	181,547	1,058,993	644,706
Tax recoverable	11.3	841,726	688,137	21,522	31,357
Cash, bank and deposit balances	22	4,424,749	3,460,200	2,643,801	2,397,914
		11,240,951	10,924,015	4,039,333	4,041,691
TOTAL ASSETS		**14,425,198**	**13,758,912**	**12,717,673**	**11,575,219**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	23	432,156	378,865	432,156	378,865
Share premium		9,155,166	8,281,817	9,155,166	8,281,817
(Accumulated deficit) / revenue reserve		(813,799)	508,141	1,794,392	1,820,600
Translation deficit		(407,094)	(320,031)	–	–
Equity attributable to share holders of the holding company		8,366,429	8,848,792	11,381,714	10,481,282
Non-controlling interests		122,950	116,377	–	–
Total equity		**8,489,379**	**8,965,169**	**11,381,714**	**10,481,282**
Non-current liabilities					
Deferred tax liability	19	2,974	5,880	–	–
Loan payable to a related party	18	502,106	–	–	–
		505,080	**5,880**	**–**	**–**
Current liabilities					
Trade and other payables	24	4,672,024	4,359,821	412,870	765,041
Tax payable	11.3	204,556	153,692	–	–
Payable to related parties	18	540,104	262,721	909,034	317,267
Dividends payable	25	14,055	11,629	14,055	11,629
		5,430,739	4,787,863	1,335,959	1,093,937
TOTAL EQUITY AND LIABILITIES		**14,425,198**	**13,758,912**	**12,717,673**	**11,575,219**

The financial statements on pages 33 to 76 were approved and authorised for issue by the Board of Directors on 10 April 2019 and were signed on its behalf by:

Richard Omwela
Director

Bharat Thakrar
Director

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

All figures in Ksh'000	Share capital	Share premium	(Accumulated deficit) / revenue reserve	Translation deficit	Attributable to share holders of the holding company	Non-controlling interests	Total
At 1 January 2017	378,865	8,281,817	320,150	(353,434)	8,627,398	181,241	8,808,639
Profit for the year	–	–	454,696	–	454,696	23,247	477,943
Acquisition of non-controlling interests	–	–	(119,554)	–	(119,554)	–	(119,554)
Non-controlling interest acquired	–	–	42,282	–	42,282	(42,282)	–
Other comprehensive income	–	–	–	33,403	33,403	685	34,088
Dividend declared – 2016	–	–	(189,433)	–	(189,433)	(46,514)	(235,947)
At 31 December 2017	**378,865**	**8,281,817**	**508,141**	**(320,031)**	**8,848,792**	**116,377**	**8,965,169**
At 1 January 2018	378,865	8,281,817	508,141	(320,031)	8,848,792	116,377	8,965,169
IFRS 9 day 1 transition adjustment	–	–	(546,077)	–	(546,077)	(5,946)	(552,023)
Deferred tax on IFRS 9 day 1 adjustment	–	–	163,318	–	163,318	1,669	164,987
Adjusted balance at 1 January 2018	**378,865**	**8,281,817**	**125,382**	**(320,031)**	**8,466,033**	**112,100**	**8,578,133**
Shares issued	53,291	873,349	–	–	926,640	–	926,640
Profit for the year	–	–	554,481	–	554,481	57,728	612,209
Acquisition of subsidiaries under common control	–	–	(1,209,513)	–	(1,209,513)	–	(1,209,513)
Non-controlling interest acquired	–	–	–	–	–	(22,317)	(22,317)
Other comprehensive loss	–	–	–	(87,063)	(87,063)	(10,057)	(97,120)
Dividend declared – 2017	–	–	(284,149)	–	(284,149)	(14,504)	(298,653)
At 31 December 2018	**432,156**	**9,155,166**	**(813,799)**	**(407,094)**	**8,366,429**	**122,950**	**8,489,379**

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

- Revenue reserve represent accumulated profits retained by the company after payment of dividend to the shareholders
- The translation reserve represents the cumulative position of translation gains or losses arising from conversion of net assets of foreign subsidiary companies to the reporting currency
- Transition adjustment is related to IFRS 9 which requires the Group to recognise a cumulative loss allowance for expected credit losses on trade receivables and bank balances as at 1 January 2018. Deferred tax has also been adjusted on the provision as at 1 January 2018
- The company issued 53,290,883 new shares to Russell Square Holdings B.V. for Ksh 926,639,644 at Ksh 17.388 each as consideration for equity shares of Research and Marketing Group Investment Limited purchased from Russell Square Holdings B.V. (Refer to Note 15)

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

All figures in Ksh'000	Share capital	Share premium account	Revenue reserve	Total
At 1 January 2017	378,865	8,281,817	1,753,457	10,414,139
Profit for the year	–	–	256,576	256,576
Dividend declared – 2016	–	–	(189,433)	(189,433)
At 31 December 2017	**378,865**	**8,281,817**	**1,820,600**	**10,481,282**
At 1 January 2018	378,865	8,281,817	1,820,600	10,481,282
IFRS 9 day 1 transition adjustment	–	–	(872)	(872)
Deferred tax on IFRS 9 day 1 adjustment	–	–	262	262
Adjusted balance at 1 January 2018	**378,865**	**8,281,817**	**1,819,990**	**10,480,672**
Shares issued	53,291	873,349	–	926,640
Profit for the year	–	–	258,551	258,551
Dividend declared – 2017	–	–	(284,149)	(284,149)
At 31 December 2018	**432,156**	**9,155,166**	**1,794,392**	**11,381,714**

- Revenue reserve represent accumulated profits retained by the company after payment of dividend to the shareholders
- Transition adjustment is related to IFRS 9 which requires the Company to recognise a cumulative loss allowance for expected credit losses on trade receivables and bank balances as at 1 January 2018. Deferred tax has also been adjusted on the provision as at 1 January 2018

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

		CONSOLIDATED		COMPANY	
All figures in Ksh'000	**Notes**	**2018**	**2017**	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		959,888	696,414	289,102	311,288
Depreciation on equipment	14	119,146	125,512	28,904	29,875
(Reversal) / provision of bad and doubtful debts	21(i)	(10,910)	36,935	6,946	4,043
Interest expense	8	14,030	1,737	633	1,621
Impairment of investment in associates		2,461	–	–	–
Share of (profit) / loss in associates		(25,131)	–	6,921	–
Impairment of goodwill		21,322	–	–	–
Net exchange loss on long term loan receivable		10,952	–	10,952	–
Net (gain) / loss on sale of assets		(5,555)	3,418	(1,861)	585
Interest income	8	(305,134)	(292,149)	(250,225)	(193,800)
Dividend income	9	–	–	(200,000)	(235,000)
Working capital adjustments:					
Decrease / (increase) in trade and other receivables		1,349,403	(211,544)	642,831	(260,950)
Decrease / (increase) in work-in-progress		19,095	(10,688)	2,048	(5,897)
(Decrease) / increase in trade and other payables		(583,659)	89,165	(352,171)	187,301
(Decrease) / increase in related party balances		(194,758)	38,408	177,480	1,062,836
Cash generated from operating activities after working capital changes		**1,371,150**	**477,208**	**361,560**	**901,902**
Tax paid on operating income		(312,873)	(352,382)	(25,516)	(35,824)
Net cash generated from operating activities		**1,058,277**	**124,826**	**336,044**	**866,078**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	14	(71,144)	(90,014)	(3,716)	(41,672)
Proceeds from sale of equipment		19,742	17,507	2,749	1,157
Capital pending allotment refunded		–	–	10,072	95,357
Loan disbursed	17	–	(498,684)	–	(498,684)
Dividend received		–	–	200,000	235,000
Net cash obtained on acquisition	15	94,591	–	–	–
Payments made for acquisition of subsidiaries		–	(119,554)	(193,605)	(119,554)
Interest income received net of tax		273,949	256,161	225,447	157,213
Net cash generated from / (used in) investing activities		**317,138**	**(434,584)**	**240,947**	**(171,183)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans repaid from related parties		–	–	–	52,813
Loans advanced to a related party		–	–	(33,809)	–
Dividends paid including tax on dividend		(299,459)	(241,356)	(281,723)	(189,684)
Interest paid		(14,030)	(1,737)	(633)	(1,621)
Net cash used in financing activities		**(313,489)**	**(243,093)**	**(316,165)**	**(138,492)**
Net increase / (decrease) in cash and cash equivalents		**1,061,926**	**(552,851)**	**260,826**	**556,403**
MOVEMENT IN CASH AND CASH EQUIVALENTS					
At the beginning of the year		3,396,739	3,909,484	2,336,310	1,779,907
Net increase / (decrease) during the year		1,061,926	(552,851)	260,826	556,403
Effect of fluctuations in exchange rates		(80,845)	40,106	–	–
Cash and cash equivalents at end of the year	**22**	**4,377,820**	**3,396,739**	**2,597,136**	**2,336,310**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The consolidated financial statements of WPP Scangroup Plc and its subsidiaries (the Group) for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Kenyan Companies Act. For the purposes of the Kenyan Companies Act, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

2. BASIS OF PREPARATION

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

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

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

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

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

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Company:

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

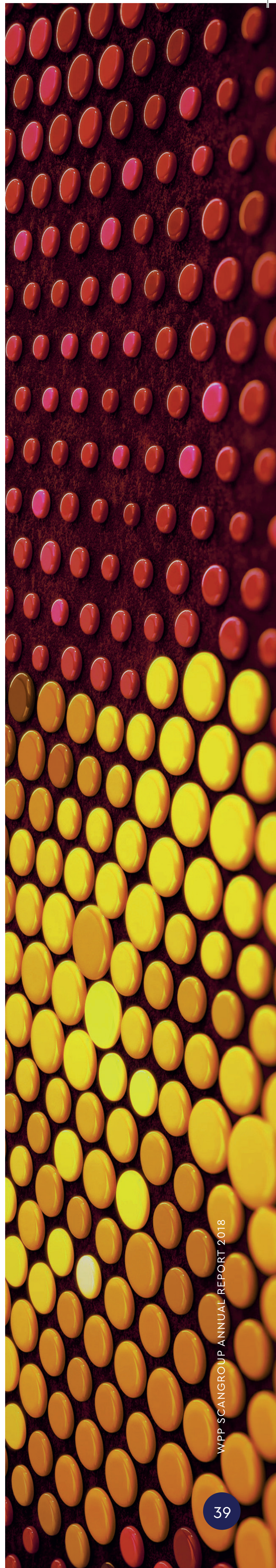
4.1 Business combinations and Goodwill

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

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

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

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



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

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

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

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

4.2 Investments in associates

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

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

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

4.3 Revenue recognition

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. The group recognises revenue being the measure of progress of services for which it has transferred control to a customer when satisfying a performance obligation.

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 at the effective interest rate applicable.

4.4 Work-in-progress

Work in progress is stated at the lower of cost or net realisable value and represents direct recoverable cost chargeable to specific clients. Attributable profits are only recognised once a job is complete and billed out to client.

4.5 Equipment

4.5.1 Recognition and measurement

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

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

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

4.5.2 Depreciation

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

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

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

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

4.5.3 Impairment

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

4.6 Taxation

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

4.6.1 Current tax

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

4.6.2 Deferred tax

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

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

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

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

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

4.6.3 Current and Deferred Tax for the year

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

4.7 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 profit or loss 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 profit or loss 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.

4.8 Foreign currencies

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

4.8.1 Transactions and balances

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

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

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

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

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair

value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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

4.8.2 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their 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.

4.9 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

(i) Classification of financial assets

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(ii) De-recognition

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

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

(iii) Offsetting of financial assets and liabilities

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

4.10 Impairment

(i) Financial assets

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

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

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

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

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

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

(ii) Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

4.11 Financial liabilities

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

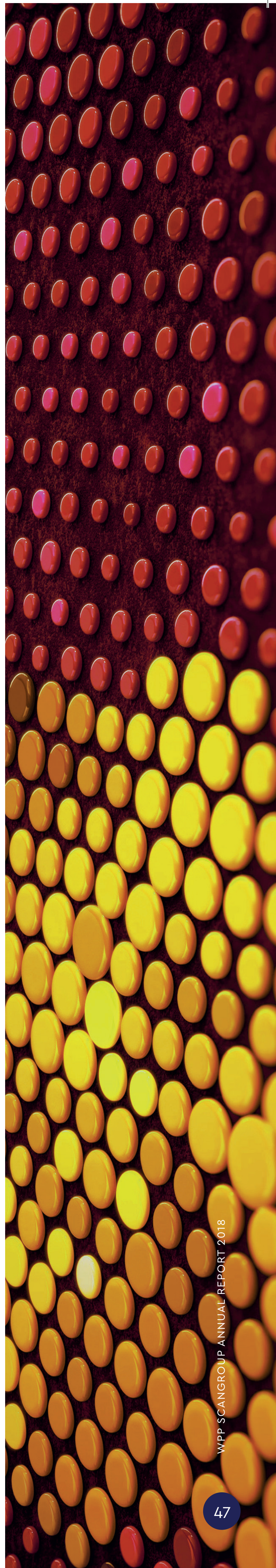
However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the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

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

Financial liabilities measured subsequently at amortised cost

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

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



4.12 Employee benefits

4.12.1 Retirement benefits costs and termination benefits

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

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

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

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

4.12.2 Short-term and other long-term employee benefits

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

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

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

4.13 Share-based payment arrangements

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

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

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

4.14 Segmental reporting

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

5. APPLICATION OF NEW AND REVISED IFRSS

(i) New and amended IFRS Standards that are effective for the current year ended 31 December 2018

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

Impact of initial application of IFRS 9 Financial Instruments

The Group has adopted IFRS 9 'Financial Instruments' from 1 January 2018. The standard amends the classification and measurement models for financial assets and adds new requirements to address the impairment of financial assets. It also introduces a new hedge accounting model to more closely align hedge accounting with risk management strategies and objectives.

The transition provision of IFRS 9 allow an entity not to restate comparatives consequently, the Group has elected not to restate comparatives. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in the Statement of Changes in Equity.

The standard amends the classification and measurement models for financial assets as set out below:

(1) Classification and measurement of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

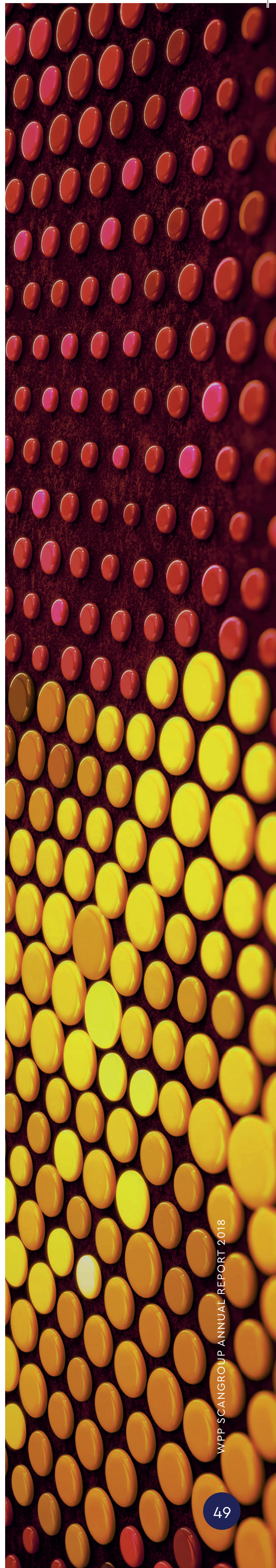
The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses o profit or loss on de-recognition; and
- Financial assets FVPL.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

(2) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.



NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

(Continued)

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- Trade receivables; and
- Bank balances.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

Related parties balances have a low risk due to common control hence no allowance recognised.

Items existing as at 1 January 2018 that are subject to impairment provision of IFRS 9	**Credit risk attributes at 1 January 2018**	**Cumulative additional allowance recognized on 1 January 2018**	**Cumulative additional allowance recognized on 1 January 2018**
		Group Ksh'000	**Company Ksh'000**
Trade receivables	For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.	552,023	872
Bank balances	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	NIL	NIL
Total		**552,023**	**872**

The additional credit loss allowance of Ksh 552,022,809 and Ksh 871,925 as at 1 January 2018 for Group and Company respectively has been recognised against retained earnings. The additional loss allowance is charged against the respective assets.

(3) Classification and measurement of financial liabilities

The application of IFRS 9 has not affected the Group's accounting for its liabilities. The payables continue to be recognised initially at fair value and subsequently measured at amortised cost.

(4) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at fair value through profit or loss ("FVTPL") under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a five step approach to revenue recognition.

Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services has been satisfied.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

The application of IFRS 15 has not had a significant impact on the Group's accounting policies as the nature of the Group's revenue is that revenue is recognised at a point in time. See section 2(d) for the Group's accounting policies for its revenue streams. IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. Accordingly, there has been no adjustment for any of the financial statement line items as a result of the application of IFRS 15.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions clarify the following aspects:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

(i) the original liability is derecognised;

(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments to the standard had no impact on the Group's financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments to IAS 40 Transfers of Investments Property clarify the following aspects:

- Transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments to the standard had no impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle

The annual improvements to IFRSs 2014–2016 cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

The amendments to the standard had no impact on the Group's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The application of this interpretation had no effect on the Group's financial statements.

(ii) New and revised IFRS Standards in issue but not yet effective

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

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019, with earlier application permitted
IFRS 17 Insurance Contracts	1 January 2022, with earlier application permitted
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019, with earlier application permitted
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019, with earlier application permitted
Annual Improvements to IFRS Standards 2015–2017	1 January 2019, with earlier application permitted
Amendments to IAS 19 Employee Benefits	1 January 2019, with earlier application permitted
IFRIC 23: Uncertainty over Income Tax Treatments	Effective for annual periods beginning on or after 1 January 2019
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Effective for annual periods beginning on or after a date to be determined

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

1) IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 will be adopted by the Group from 1 January 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lease accounting model.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

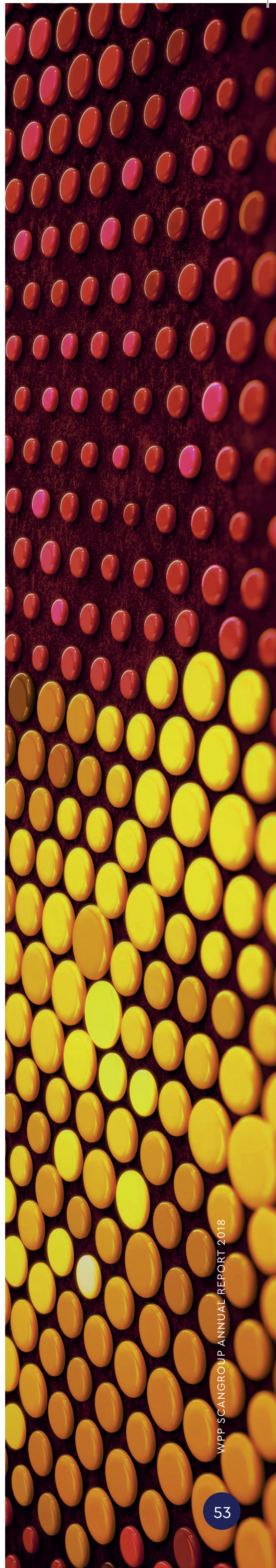
Impact of the new definition of a lease

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

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.



Impact on Lessee Accounting

Operating leases

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

On initial application of IFRS 16, for all leases the Group will:

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

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

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

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of Ksh 348,752,000. The Directors have assessed the impact of the application of IFRS 16 on the Group's financial statements and concluded that the impact is not significant.

2) Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

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

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

4) Annual improvements to IFRS Standards 2015 – 2017 Cycle

The Annual Improvements to IFRS Standards 2015–2018 cycle makes amendments to the following standards:

- IAS 12 Income Taxes – The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

- IAS 23 Borrowing Costs – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- IFRS 11 Joint Arrangements – The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

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

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

6) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

(iii) Early adoption of standards

The Group did not early adopt new or amended standards in the period ended 31 December 2018.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Critical judgements in applying accounting policies

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its goodwill to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

b. Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and suitable discount rate in order to calculate present value. Refer to Note 20 for detailed assumptions.

7. BILLINGS

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

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Kenya (including export sales)	8,960,926	9,877,533	1,624,741	1,885,130
Uganda	540,529	623,243	–	–
Tanzania	762,707	994,137	–	–
South Africa	147,433	199,082	–	–
Ghana	1,555,797	1,408,138	–	–
Nigeria	740,668	417,607	–	–
Others	1,113,730	598,880	–	–
	13,821,790	**14,118,620**	**1,624,741**	**1,885,130**

8. INTEREST INCOME NET OF INTEREST EXPENSE

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Interest on deposits	301,580	288,633	249,844	193,301
Other interest	3,554	3,516	381	499
	305,134	292,149	250,225	193,800
Interest expense	(14,030)	(1,737)	(633)	(1,621)
	291,104	**290,412**	**249,592**	**192,179**

9. OTHER INCOME

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Profit on disposal of assets	7,297	5,657	1,861	–
Bad debts earlier written off now recovered	–	1,432	–	–
Cash discount	18,682	12,361	5,706	3,255
Dividend income	–	–	200,000	235,000
Miscellaneous income	5,580	1,680	–	–
	31,559	**21,130**	**207,567**	**238,255**

10. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Staff costs				
– Salaries and wages	2,318,193	2,257,804	410,398	454,990
– Social security	118,469	100,468	11,502	12,144
– Medical expenses	80,332	84,100	15,322	19,446
– Leave pay	30,356	11,347	15,166	1,970
– Other staff costs	213,296	190,191	36,299	21,544
	2,760,646	**2,643,910**	**488,687**	**510,094**
Operating lease rentals	182,668	190,343	10,836	20,366
Travel and transport	57,128	100,915	15,077	15,781
Depreciation	119,146	125,512	28,904	29,875
Communication	62,824	70,342	8,968	7,106
Printing and stationery	17,770	28,527	2,757	3,626
(Reversal) / provision for bad and doubtful debts	(10,910)	36,935	6,946	4,043
Auditors' remuneration	32,942	31,010	2,585	2,585
Loss on sale of assets	1,743	9,075	–	585
Intercompany balance written off	–	–	–	50,264
Directors' remuneration				
non-executive directors' fees	5,210	5,255	2,167	2,375
non- executive directors' emoluments	720	640	720	640
executive directors' emoluments	76,378	104,230	76,378	104,230

11. TAXATION

11.1 Tax expense

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Current taxation based on the adjusted profit				
For companies at 30%	348,361	212,347	75,068	58,140
For companies charged at different rates	48,633	28,607	–	–
Prior year under / (over) provision	10,629	(7)	–	–
	407,623	**240,947**	**75,068**	**58,140**
Deferred tax				
- current year credit	(64,363)	(16,541)	(44,517)	(3,428)
- prior year under / (over) provision	4,419	(5,935)	–	–
	(59,944)	**(22,476)**	**(44,517)**	**(3,428)**
	347,679	**218,471**	**30,551**	**54,712**

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

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Accounting profit before taxation	959,888	696,414	289,102	311,288
Tax at the applicable rate of 30%	287,966	208,924	86,731	93,386
Effect of expenses not deductible fo tax purposes	58,152	16,704	3,820	31,826
Effect of companies charged at different rates	(16,719)	(6,373)	–	–
Effect of income not taxable	–	–	(60,000)	(70,500)
Tax paid on intercompany dividend income	3,232	5,158	–	–
Prior years under / (over) provision-deferred tax	4,419	(5,935)	–	–
Prior years under / (over) provision-income tax	10,629	(7)	–	–
	347,679	**218,471**	**30,551**	**54,712**

11.3 Movement in net of tax recoverable and tax payable

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
At beginning of year	534,445	373,990	31,357	26,018
On acquisition of subsidiaries	147,722	–	–	–
Tax paid	363,822	402,125	65,233	63,479
Charge for the year	(407,623)	(240,947)	(75,068)	(58,140)
Effect of exchange rate difference	(1,196)	(723)	–	–
At the end of the year	**637,170**	**534,445**	**21,522**	**31,357**
Breakup of net tax recoverable				
Tax recoverable	841,726	688,137	21,522	31,357
Tax payable	(204,556)	(153,692)	–	–
	637,170	**534,445**	**21,522**	**31,357**

12. 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 7.

13. EARNINGS PER SHARE

13.1 Basic earnings per share

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

	CONSOLIDATED		COMPANY	
	2018	**2017**	**2018**	**2017**
Profit attributable to share holders of the holding company (Ksh'000)	554,481	454,696	258,551	256,576
Weighted average number of shares (in thousands)	405,511	378,865	405,511	378,865
Basic earnings per share (Ksh)	1.37	1.20	0.64	0.68

13.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2018 and 31 December 2017 no such instruments were outstanding. Hence Diluted earnings per share is same as Basic earnings per share presented in Note 13.1.

14. EQUIPMENT

14.1 Equipment – Group

All figures in Ksh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2017	602,285	107,914	517,674	1,227,873
Additions	51,813	7,716	30,485	90,014
Disposals	(32,575)	(19,114)	(108,528)	(160,217)
Exchange rate adjustment*	(3,063)	(2,168)	(4,216)	(9,447)
At 31 December 2017	**618,460**	**94,348**	**435,415**	**1,148,223**
At 1 January 2018	618,460	94,348	435,415	1,148,223
Addition on acquisition of subsidiaries	341,533	43,919	163,633	549,085
Additions	41,913	2,805	26,426	71,144
Disposals	(8,289)	(13,244)	(17,598)	(39,131)
Exchange rate adjustment*	(6,362)	(2,159)	(9,491)	(18,012)
At 31 December 2018	**987,255**	**125,669**	**598,385**	**1,711,309**
DEPRECIATION				
At 1 January 2017	483,063	55,663	290,417	829,143
Charge for the year	50,936	16,608	57,968	125,512
Elimination on disposals	(28,461)	(12,203)	(98,628)	(139,292)
Exchange rate adjustment*	(2,717)	(1,873)	(2,736)	(7,326)
At 31 December 2017	**502,821**	**58,195**	**247,021**	**808,037**
At 1 January 2018	502,821	58,195	247,021	808,037
Depreciation on acquisition of subsidiaries	287,334	38,751	133,682	459,767
Charge for the year	63,463	11,650	44,033	119,146
Elimination on disposals	(5,292)	(9,279)	(10,265)	(24,836)
Exchange rate adjustment*	(5,519)	(1,255)	(5,644)	(12,418)
At 31 December 2018	**842,807**	**98,062**	**408,827**	**1,349,696**
NET BOOK VALUE				
At 31 December 2018	**144,448**	**27,607**	**189,558**	**361,613**
At 31 December 2017	**115,639**	**36,153**	**188,394**	**340,186**

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

At 31 December 2018, equipment with a cost of Ksh 186,042,000 (2017 – Ksh 110,845,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been Ksh 48,039,000 (2017 – Ksh 29,240,000).

14.2 Equipment – Company

All figures in Ksh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2017	266,883	41,849	77,603	386,335
Additions	35,903	–	5,769	41,672
Disposals	(1,294)	(1,040)	(718)	(3,052)
At 31 December 2017	**301,492**	**40,809**	**82,654**	**424,955**
At 1 January 2018	301,492	40,809	82,654	424,955
Additions	2,177	1,450	89	3,716
Disposals	(832)	(4,313)	–	(5,145)
At 31 December 2018	**302,837**	**37,946**	**82,743**	**423,526**
DEPRECIATION				
At 1 January 2017	223,459	18,571	29,195	271,225
Charge for the year	17,432	5,781	6,662	29,875
Elimination on disposals	(549)	(624)	(137)	(1,310)
At 31 December 2017	**240,342**	**23,728**	**35,720**	**299,790**
At 1 January 2018	240,342	23,728	35,720	299,790
Charge for the year	18,605	4,501	5,798	28,904
Elimination on disposals	(616)	(3,624)	(17)	(4,257)
At 31 December 2018	**258,331**	**24,605**	**41,501**	**324,437**
NET BOOK VALUE				
At 31 December 2018	**44,506**	**13,341**	**41,242**	**99,089**
At 31 December 2017	**61,150**	**17,081**	**46,934**	**125,165**

At 31 December 2018, equipment with a cost of Ksh 32,880,000 (2017 – Ksh 33,777,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been Ksh 9,202,000 (2017 – Ksh 9,471,000).

15. INVESTMENT IN SUBSIDIARIES AT COST

	2018		2017	
	%	**Ksh'000**	**%**	**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
Research and Marketing Group Investment Limited*	80%	1,120,245		–
O&M Africa B.V.	100%	671,911	100%	671,911
Scangroup Mauritius Holding Limited**	100%	209,934	100%	220,006
Hill & Knowlton East Africa Limited	100%	245,123	100%	245,123
Ogilvy Tanzania Limited	100%	135,912	100%	135,912
Squad Digital Limited	75.5%	119,962	75.5%	119,962
GroupM Africa Limited	100%	84,542	100%	84,542
Scanad Kenya Limited	100%	40,000	100%	40,000
Scanad East Africa Limited	100%	31,500	100%	31,500
Scanad Africa Limited	100%	15,000	100%	15,000
Scangroup (Mauritius) Limited	100%	10,006	100%	10,006
J. Walter Thompson Kenya Limited	90%	18,000	90%	18,000
MEC Africa Limited	100%	550	100%	550
Media Compete East Africa Limited	100%	40	100%	40
Grey East Africa Limited	100%	40	100%	40
		7,756,994		**6,646,821**

Movement in investment in subsidiaries

All figures in Ksh'000	2018	2017
At the beginning of year	6,646,821	6,622,624
Acquisitions during the year	1,120,245	119,554
Reduction due to refund	(10,072)	(95,357)
At the end of the year	**7,756,994**	**6,646,821**

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

Research and Marketing Group Investment Limited was acquired so as to continue expansion of the Group's activities on research and marketing.

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

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

** Equity investment in Scangroup Mauritius Holding Limited amounting to Ksh 10.07million for which shares were not allotted was refunded during the year.

Acquisition of subsidiaries under common control

On 1 July 2018 the group acquired Research and Marketing Group Investment Limited group under which the ownership of Research and Marketing Group Investment Limited was transferred within entities controlled by the same beneficial shareholders. As a result of the acquisition, Research and Marketing Group Investment Limited became a subsidiary of WPP Scangroup Plc.

Accounting for internal reorganisations is outside the scope of IFRS 3, 'Business Combinations' and IFRS does not contain additional guidance. Therefore, in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', the Group considered the pronouncements of other standard setting bodies and has accounted for the group reorganisation using merger accounting principles. The key features of this accounting are:

- the carrying value of the assets and liabilities "acquired" by the Group are not adjusted to fair values on consolidation; and
- any difference between the value of consideration provided and net assets acquired is not recognised as goodwill, but is adjusted against reserves.

	Ksh'000
Details of net liabilities acquired are as follows:	
Consideration through issue of shares	926,640
Consideration paid in cash	193,605
Carrying value of net liabilities acquired	89,268
On acquisition of subsidiaries	**1,209,513**

The assets and liabilities arising from the acquisition are as follows:

	Ksh'000
Equipment	89,318
Cash and cash equivalents	288,196
Trade and other receivables	1,026,656
Tax recoverable	147,722
Deferred tax asset	124,879
Loan payable to a related party	(502,106)
Other payables to related parties	(390,388)
Trade and other payables	(895,862)
Non-controlling interests	22,317
Carrying value of net liabilities acquired	**(89,268)**
Consideration paid in cash	193,605
Cash and cash equivalents	(288,196)
Cash inflow on acquisition of subsidiaries	**94,591**

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of Ksh 1,299 million had gross contractual amounts of Ksh 1,307 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are Ksh 7.7 million.

The carrying value of current assets and liabilities acquired approximates fair value due to their short term nature. Equipment mainly relates to recently acquired computers hence the net book value approximates fair value. The loan payable to a related party is interest bearing. The carrying value of net liabilities acquired reflects the price that the Group would pay to settle the net liabilities.

Research and Marketing Group Investment Limited contributed Ksh 1,515 million billings and Ksh 180 million to the Group's profit for the period between the date of acquisition and the reporting date.

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

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

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

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

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

Summarised financial information on subsidiaries with material non-controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

	Squad Digital Limited		J W Thompson Kenya Limited	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
As at 31 December				
Assets	311,898	404,813	197,832	297,977
Liabilities	193,579	268,718	29,108	143,181
Equity attributable to the owners of the company	89,331	102,752	151,852	139,316
Non-controlling interest	**24.5%**	**24.5%**	**10%**	**10%**
Billings	562,117	611,475	376,737	304,769
Expenses	(583,604)	(661,717)	(354,370)	(279,594)
Profit / (loss) before tax for the year	**(21,487)**	**(50,242)**	**22,367**	**25,175**
Profit / (loss) attributable to the owners of the company	(12,945)	(27,544)	13,699	15,144
Profit / (loss) attributable to non-controlling interest	(4,201)	(8,938)	1,522	1,683
Profit / (loss) after tax for the year	**(17,146)**	**(36,482)**	**15,221**	**16,827**
Net cash inflow / (outflow) from operating activities	4,712	(821)	1,091	151,467
Net cash inflow / (outflow) from investing activities	246	(501)	61	(185)
Net cash outflow from financing activities	(8)	(5)	(4)	(150,006)
Net cash inflow / (outflow)	**4,950**	**(1,327)**	**1,148**	**1,276**

All figures in Ksh'000	**Research and Marketing Group Investment Limited (consolidated)**
As at 31 December 2018	
Assets	2,158,330
Liabilities	2,093,994
Equity attributable to the owners of the company	51,469
Non-controlling interest	**20%**
For the period 1 July 2018 to 31 December 2018	
Billings	1,515,931
Expenses	(1,251,988)
Profit before tax for the year	**263,943**
Profit attributable to the owners of the company	144,264
Profit attributable to non-controlling interest	36,066
Profit after tax for the year	**180,330**

16. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS

As at 31 December 2018 O&M Africa B.V. a 100% subsidiary of WPP Scangroup Plc owned equity shares in following companies:

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

During the year, the Group acquired 24.9% shareholding in First Primus West Africa Limited (incorporated in Nigeria).

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

The movement in investment in associate companies is as follows:

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
At the beginning of year	4,541	4,067	–	–
Investment during the year (Note 17)	173,476	–	173,476	–
Share of profit / (loss) in associates	25,131	–	(6,921)	–
Impairment of investment in associates	(2,461)	–	–	–
Exchange rate adjustment	(2,906)	474	–	–
At the end of the year	**197,781**	**4,541**	**166,555**	**–**

17. LONG TERM LOAN RECEIVABLE

The long term loan receivable of Ksh 498.68million was advanced to First Primus West Africa Limited in the year 2017. It was denominated in Nigeria Naira (NGN) and the equivalent amount at the end of the year 2017 was NGN 1,740million. It was secured by first priority floating charge over the borrower's properties. An amount of NGN 620million attracted interest at 9% per annum while NGN 1,120million attracted interest at 1% per annum. During the year 2018 loan of NGN 620million (equivalent to Ksh 173 million) converted into equity to acquire 24.9% shareholding in First Primus West Africa Limited. The loan of NGN 1,120million has been re-classified to long term intercompany balances.

18. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation.

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Balances recoverable from related parties				
Due after one year				
Loans recoverable from various related companies*	314,256	–	414,189	66,124
	314,256	**–**	**414,189**	**66,124**
Due within one year				
Current receivables from various subsidiaries	–	–	1,058,993	644,706
Current receivables from fellow subsidiaries	263,300	181,547	–	–
	263,300	**181,547**	**1,058,993**	**644,706**
Loan payable to a related party				
Russell Square Holding B.V.**	502,106	–	–	–
	502,106	**–**	**–**	**–**
Balances payable to related parties				
Various subsidiaries	–	–	909,034	317,267
Current payables to fellow subsidiaries	540,104	262,721	–	–
Transactions with related parties				
Sale of services	414,298	303,536	578,439	631,121
Purchase of services	43,405	102,374	75,023	132,679
Remuneration of directors and key management compensation	82,308	110,125	82,308	110,125
Directors' remuneration – Executive directors' emoluments (included in key management compensation above)	76,378	104,230	76,378	104,230

* Please refer to Note 17 for details of the long term loan recoverable from First Primus West Africa Limited.

Included in the company statement of financial position is a long term loan recoverable from a subsidiary, Scanad Tanzania Limited of Ksh 99,933,000 (2017: Ksh 66,124,000). It attracts interest at the rate of 9% p.a. and is denominated in Kenya Shillings. Based on agreement between the two parties, the loan is not re-payable within the next 12 months.

** The long term loan of Ksh 502,106,000 is payable to Russell Square Holding B.V. and attracts interest at the rate of 3% p.a. It is denominated in USD and was advanced to a subsidiary, International Research and Marketing Group Holdings Limited. Based on agreement between the two parties, the loan is not re-payable within the next 12 months.

19. DEFERRED TAX

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

All figures in Ksh'000	2018	2017	2018	2017
Excess depreciation / (accelerated capital allowances)	9,565	11,100	(3,100)	(2,606)
Unrealised exchange losses	4,691	11,665	3,030	2,068
Tax losses carried forward	385,683	315,383	229,812	193,252
Provisions	316,771	35,223	11,771	4,020
	716,710	**373,371**	**241,513**	**196,734**
Movement in deferred tax account is as follows				
At beginning of period – asset	373,371	354,543	196,734	193,306
IFRS 9 day 1 transition adjustment	164,987	–	262	–
On acquisition of subsidiaries	124,879	–	–	–
Credit for the year	64,363	16,541	44,517	3,428
Prior year (under) / over provision	(4,419)	5,935	–	–
Effect of exchange rates	(6,471)	(3,648)	–	–
At end of period – asset	**716,710**	**373,371**	**241,513**	**196,734**
Breakup of deferred tax asset and liability				
Deferred tax asset	719,684	379,251	241,513	196,734
Deferred tax liability	(2,974)	(5,880)	–	–
	716,710	**373,371**	**241,513**	**196,734**

A deferred taxation asset has been recognized on accumulated tax losses of Ksh 1,314,197,000 (2017: Ksh 1,051,270,000) as the directors are confident that the group will have future taxable profits against which the unused tax losses can be utilized based on the Group's and company's budgets and forecasts. Tax losses of Ksh 946 million can be carried forward up to 10 years and the balance is held in jurisdiction where these can be carried forward indefinitely.

20. GOODWILL

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

All figures in Ksh'000	2018	2017
Cost and carrying value as at the end of		
Millward Brown East Africa Limited	1,251,875	1,273,197
O&M Africa B.V.	152,929	152,929
GroupM Africa Limited	83,548	83,548
Ogilvy Kenya Limited	79,194	79,194
Hill+Knowlton Strategies (South Africa) Pty Ltd	23,367	23,367
Total	**1,590,913**	**1,612,235**

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

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

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

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

During the year an impairment loss of Sh 21.32million has been recognised in the group's financial statements. Changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised and a reasonably possible change in assumptions would not lead to a significant impairment. The carrying value of goodwill will continue to be reviewed at least annually for impairment and adjusted to the recoverable amount if required.

21. TRADE AND OTHER RECEIVABLES AND WORK IN PROGRESS

21.1 Trade and Other Receivables

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Trade receivables	5,378,020	5,840,289	192,710	864,495
Less: Provision for bad and doubtful debts	(560,786)	(48,958)	(12,187)	(4,370)
	4,817,234	**5,791,331**	**180,523**	**860,125**
Value added tax recoverable	501,505	320,319	60,273	4,455
Staff recoverable	7,967	11,722	3,818	5,234
Other receivables and pre-payments	310,510	377,704	66,554	92,003
	5,637,216	**6,501,076**	**311,168**	**961,817**
Movement in allowance for doubtful debts				
Balance at the beginning of the year	48,958	37,273	4,370	4,370
IFRS 9 day 1 transition adjustment	552,023	–	872	–
Acquisition of subsidiaries	7,785	–	–	–
Net (reversals) / provision for bad debts	(10,910)	36,935	6,946	4,043
Amounts written off during the year as uncollectible	(27,305)	(27,775)	-	(4,043)
Effect of exchange rates	(9,765)	2,525	–	–
Balance at the end of the year	**560,786**	**48,958**	**12,187**	**4,370**

21.2 Work-In-Progress

All figures in Ksh'000	CONSOLIDATED 2018	CONSOLIDATED 2017	COMPANY 2018	COMPANY 2017
Work-in-progress	73,960	93,055	3,849	5,897

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

22. CASH, BANK AND DEPOSIT BALANCES

All figures in Ksh'000	CONSOLIDATED 2018	CONSOLIDATED 2017	COMPANY 2018	COMPANY 2017
Cash in hand	4,597	4,829	1,789	1,736
Bank balances	1,419,476	618,162	102,411	56,081
Short term deposits				
– Fixed deposits with banks	2,473,975	2,470,863	2,302,488	2,341,595
– Call deposits with banks	492,694	367,814	190,448	1,174
	4,390,742	**3,461,668**	**2,597,136**	**2,400,586**
Bank overdrafts (Note 26)	(12,922)	(64,929)	–	(64,276)
Cash and cash equivalents	**4,377,820**	**3,396,739**	**2,597,136**	**2,336,310**
Accrued interest on fixed deposits	46,929	63,461	46,665	61,604
	4,424,749	**3,460,200**	**2,643,801**	**2,397,914**

The deposits mature within 5 months after the year end. The effective interest on the fixed deposits for the year ended 31 December 2018 was 9.56% (2017: 9.14%) while the effective interest rate on the call deposits was 6.67% (2017: 7.42%). The table below shows the analysis of short term deposits by currency:

	2018 Amounts equivalent to Ksh'000			2017 Amounts equivalent to Ksh'000		
Currency	Fixed deposits	Call deposits	Total	Fixed deposits	Call deposits	Total
Kenya Shilling	2,302,488	190,480	2,492,968	2,356,900	603	2,357,503
United States Dollar	100	–	100	–	5,160	5,160
Ghanaian Cedi	20,828	–	20,828	113,963	–	113,963
South African Rand	–	302,210	302,210	–	329,325	329,325
Ugandan Shilling	–	4	4	–	32,727	32,727
Malawian Kwacha	1,442	–	1,442	–	–	–
Nigerian Naira	149,117	–	149,117	–	–	–
	2,473,975	**492,694**	**2,966,669**	**2,470,863**	**367,814**	**2,838,677**

Non-cash transactions

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- Conversion of part of loan advanced to First Primus West Africa Limited (Ksh 173 million) to equity acquired in the company.
- Issue of 53,290,883 new shares to Russell Square Holdings B.V. for Ksh 926.64million at Ksh 17.388 each as consideration for 70% equity shares of Research and Marketing Group Investment Limited purchased from Russell Square Holdings B.V.

23. SHARE CAPITAL

All figures in Ksh'000	**2018**	**2017**
Authorised share capital:		
Ordinary shares 500,000,000 (2017: 400,000,000) of Ksh 1 each	500,000	400,000
Issued and fully paid up shares		
Ordinary shares 432,155,985 (2017: 378,865,102) of Ksh 1 each	432,156	378,865

24. TRADE AND OTHER PAYABLES

All figures in Ksh'000	**CONSOLIDATED**		**COMPANY**	
	2018	**2017**	**2018**	**2017**
Trade payables	3,796,135	3,828,179	319,482	727,875
Other payables	669,874	449,936	73,237	30,665
Leave pay provision	59,786	42,660	20,151	6,501
Value added tax payable	146,229	39,046	–	–
	4,672,024	**4,359,821**	**412,870**	**765,041**
Movement in leave pay provision				
Balance at the beginning of the year	42,660	44,797	6,501	6,501
Acquisition of subsidiaries	13,113	–	–	–
Provision for leave pay	34,595	18,040	15,166	1,970
Paid during the year	(25,769)	(13,321)	(1,516)	(1,970)
Reversals of provision for leave pay	(4,136)	(6,693)	–	–
Effect of exchange rates	(677)	(163)	–	–
Balance at the end of the year	**59,786**	**42,660**	**20,151**	**6,501**

25. DIVIDENDS PAYABLE

All figures in Ksh'000	**CONSOLIDATED**		**COMPANY**	
	2018	**2017**	**2018**	**2017**
At 1 January	11,629	11,880	11,629	11,880
Dividends declared	298,653	235,947	284,149	189,433
Dividends paid	(296,227)	(236,198)	(281,723)	(189,684)
At 31 December	**14,055**	**11,629**	**14,055**	**11,629**

Unclaimed dividend amounting to Ksh 2.38 million was remitted to Unclaimed Financial Assets Authority during the year (2017: Ksh 2.21million).

26. BANK OVERDRAFTS

The Company has, for and on behalf of all its subsidiaries, availed a general short term banking facility, incorporating overdrafts, letter of credit and / or guarantee of bank facility of Ksh 500million and forward exchange contract facility of USD 12million from Stanbic Bank Kenya Limited. The utilisation of these facilities are monitored at a group level. Securities offered for the facilities are as follows:

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

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

(iii) Right of set-off.

27. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Authorised but not contracted	–	–	–	–
Authorised and contracted	14,578	6,639	2,397	1,999
	14,578	**6,639**	**2,397**	**1,999**

Capital commitments relates to purchase of IT equipment.

28. OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 to 5 years. The total future minimum lease payments due to third parties under non-cancellable operating leases for various office premises are as follows:

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Within 1 year	147,802	128,889	31,836	29,026
Within 2 to 5 years	295,784	230,746	148,717	91,608
	443,586	**359,635**	**180,553**	**120,634**

29. CONTINGENT LIABILITIES

All figures in Ksh'000	CONSOLIDATED		COMPANY	
	2018	**2017**	**2018**	**2017**
Pending claims	88,715	21,360	181	181
Guarantees	18,907	22,777	17,757	11,777
	107,622	**44,137**	**17,938**	**11,958**

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

30. RISK MANAGEMENT POLICIES

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

30.1 Capital risk management

The Group manages its capital with an aim to:

- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- allocate capital efficiently to support growth;
- safeguard company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- provide an adequate return to shareholders by pricing advertising services commensurately with the level of risk.

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

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

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Total Equity per statement of Financial Position	8,489,379	8,965,169	11,381,714	10,481,282
Loans payable to a related party	502,106	-	-	-
Less: Cash, bank and deposit balances	4,424,749	3,460,200	2,643,801	2,397,914
Excess of Cash and cash equivalents over borrowings	**(3,922,643)**	**(3,460,200)**	**(2,643,801)**	**(2,397,914)**
Gearing ratio	N/A	N/A	N/A	N/A

30.2 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.

30.3 Credit risk

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

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

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

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

	CONSOLIDATED		COMPANY	
All figures in Ksh'000	**2018**	**2017**	**2018**	**2017**
Trade receivables	4,817,234	5,791,331	180,523	860,125
Other receivables	310,510	377,704	66,554	92,003
Amounts due from related companies	263,300	181,547	1,058,993	644,706
Bank balances	1,419,476	618,162	102,411	56,081
Short term deposits	3,013,598	2,902,138	2,539,601	2,404,373
	9,824,118	**9,870,882**	**3,948,082**	**4,057,288**

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

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

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

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

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

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

Credit risk profile based on provision matrix

Group

2018	**< 30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**181-360 days**	**Over 361 days**	**Total**
ECL rate	0%	0%	0%	1%	1%	118%	10%
Expected Gross Carrying Amount	2,746,236	674,178	343,020	404,662	744,437	465,487	5,378,020
Lifetime ECL	–	–	103	3,669	9,539	547,475	560,786

Company

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

A reconciliation of the impairment loss accounts:

Group

	Trade receivables	Cash and bank balances	Total
	Ksh'000	Ksh'000	Ksh'000
31 December 2017			
At 1 January 2017	37,273	–	37,273
Increase in loss allowance arising from financial assets recognized in the year	11,685	–	11,685
At 31 December 2017	**48,958**	**–**	**48,958**
31 December 2018			
At 1 January 2018 – as previously reported	48,958	–	48,958
Adjustment upon application of IFRS 9	552,023	–	552,023
At 1 January 2018 – restated	**600,981**	**–**	**600,981**
(Increase)/decrease in loss allowance arising from new financial assets (recognised)/derecognised in the year	(40,195)	–	(40,195)
At 31 December 2018 under IFRS 9	**560,786**	**–**	**560,786**

Company	Trade receivables	Cash and bank balances	Total
	Ksh'000	Ksh'000	Ksh'000
31 December 2017			
At 1 January 2017	4,370	–	4,370
Increase in loss allowance arising from financial assets recognized in the year	–	–	–
At 31 December 2017 under IAS 39	**4,370**	**–**	**4,370**
31 December 2018			
At 1 January 2018 – as previously reported	4,370	–	4,370
Adjustment upon application of IFRS 9	872	–	872
At 1 January 2018 – restated	**5,242**	**–**	**5,242**
(Increase)/decrease in loss allowance arising from new financial assets (recognised)/derecognised in the year	(6,945)	–	(6,945)
At 31 December 2018 under IFRS 9	**12,187**	**–**	**12,187**

The Directors believe that the unimpaired amounts that are past due (more than 30 days in arrears) are still collectible in full based on historical payment behaviour and extensive analysis of customer credit risk.

30.3.1 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 26 for details of bank credit facilities the Group has.

The tables below analyses the Group's and Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

For Group:

All figures in Ksh'000	Less than 1 month	Between 1 – 3 months	Over 3 months	Total
At 31 December 2018				
Loans payable to a related party	–	–	502,106	502,106
Payable to related parties	540,104	–	–	540,104
Trade payables	1,939,366	938,364	918,405	3,796,135
	2,479,470	**938,364**	**1,420,511**	**4,838,345**
At 31 December 2017				
Payable to related parties	262,721	–	–	262,721
Trade payables	2,179,623	925,487	723,069	3,828,179
	2,442,344	**925,487**	**723,069**	**4,090,900**

For Company:

All figures in Ksh'000	Less than 1 month	Between 1 – 3 months	Over 3 months	Total
At 31 December 2018				
Payable to related parties	909,034	–	–	909,034
Trade payables	35,755	58,436	225,291	319,482
	944,789	**58,436**	**225,291**	**1,228,516**
At 31 December 2017				
Payable to related parties	317,267	–	–	317,267
Trade payables	403,913	175,199	148,763	727,875
	721,180	**175,199**	**148,763**	**1,045,142**

30.3.2 Interest rate risk

Interest rate risk arises primarily from bank borrowings. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates. The potential impact of 1% increase or decrease in interest rate on profitability of the company would have been a decrease or increase of Ksh 0.54million (2017: Ksh 0.19million) with a corresponding similar impact on retained earnings.

30.3.3 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 2018, if the average exchange rate for the year was 5% higher or lower, the profit before tax would have increased or decreased by approximately Ksh 50.03million (2017: Ksh 23.4million).

30.3.4 Price risk

Price risk arises from fluctuations in the prices of equity investments. At 31 December 2018 and 31 December 2017, the group did not hold investments that would be subject to price risk; hence this risk is not applicable.

30.3.5 Concentration risk

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

30.4 Fair value measurement

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

31. DIVIDENDS

The directors propose a first and final dividend of Ksh 1.00 per share totalling Ksh 432,155,985 based on 432,155,985 shares in issue (2017: Ksh 0.75 per share totalling Ksh 284,148,826.50 based on 378,865,102 shares). The directors also propose a special dividend of Ksh 3.00 per share totalling Ksh 1,296,467,955 based on 432,155,985 shares in issue (2017: Nil).

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.

32. EVENTS AFTER THE REPORTING DATE

No material events or circumstances have arisen between the reporting date and the date of this report.

33. INCORPORATION

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

NOTES

NOTES

PROXY FORM

WPP Scangroup Plc

PO Box 34537 - 00100 GPO,

Nairobi, Kenya

I/We ....

of (address) ....

being a member/ members of WPP Scangroup Plc hereby appoint:

....

of (address) ....

or failing him/her: ....

of (address) ....

and failing him/ her the Chairman of the meeting as my/ our proxy to vote for me/ us on my/ our behalf at the 2019 Annual General Meeting to be held on Friday 10th May 2019 and at any adjournment thereof.

As witness my/our hand this ....day of 2019

Signature(s) ....

....

This form is to be used* in favour of/against the resolutions. Unless otherwise instructed, the proxy will vote as he / she thinks fit.

* Delete whichever is not applicable .

__Notes:__

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

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

3. To be valid, this Proxy Form must be duly completed by a Member and must either be lodged with the shares registrar Comp-rite Kenya Limited at The Crescent, off Parklands Road, Crescent Business Centre, 2nd floor, Nairobi or posted to Comp-rite Kenya Limited P.O. Box 63428-00619 Nairobi so as to reach the Shares Registrar not later than 11.00 a.m. on Tuesday 7th May 2019.


www.wpp-scangroup.com