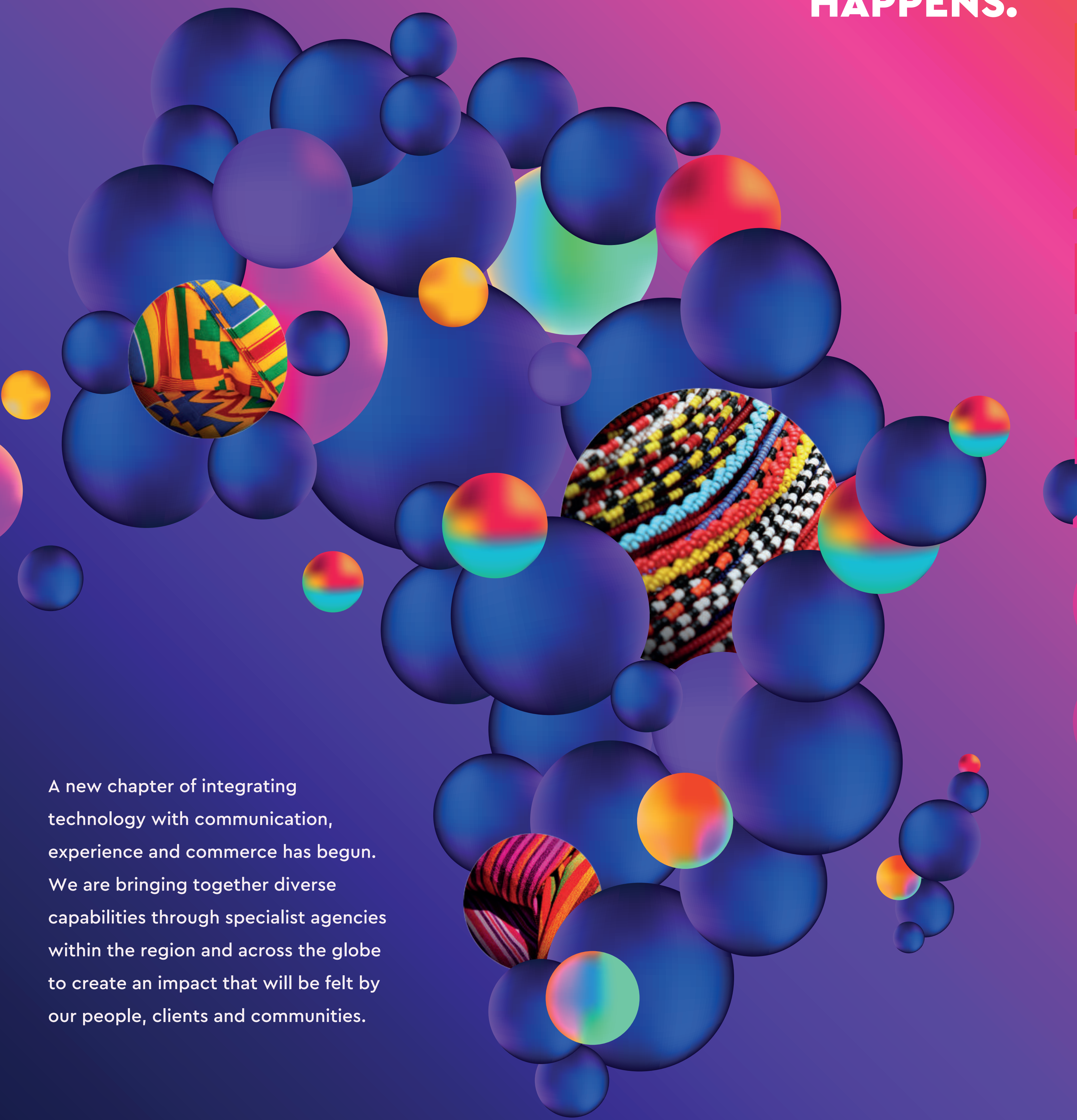
2021

WPP | SCANGROUP

ANNUAL REPORT

WHEN CREATIVITY MEETS TECHNOLOGY, TRUE TRANSFORMATION HAPPENS.



A new chapter of integrating technology with communication, experience and commerce has begun. We are bringing together diverse capabilities through specialist agencies within the region and across the globe to create an impact that will be felt by our people, clients and communities.

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NOTICE OF THE ANNUAL GENERAL MEETING 2022

Notice is hereby given to shareholders that the sixteenth annual general meeting (AGM) of the company will be held via electronic communication on Friday, 27 May 2022 at 11:00 a.m., when the business set out below will be transacted.

ORDINARY BUSINESS

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To receive and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 2021, together with the Chairman's, the Directors' and Auditor's Reports thereon.
4. To note that the Directors do not recommend the payment of a dividend for the financial year ended 31st December 2021.
5. Directors:
   a. In accordance with the provisions of Article 30.1 of the Company's Articles of Association:
      i. Mr. Andrew Grant Balfour Scott retires by rotation and being eligible, offers himself for re-election.
      ii. Mr. Jonathan Neil Eggar retires at this meeting and being eligible, offers himself for re-election.

   b. In accordance with the provisions of Article 29.5 of the Company's Articles of Association
      i. Ms. Patricia Kiwanuka who was appointed during the year retires at this meeting and being eligible, offers herself for re-election.
      ii. Ms. Beverley Spencer-Obatoyinbo who was appointed during the year retires at this meeting and being eligible, offers herself for re-election.
      iii. Mr. Peter M. Kimurwa, who was appointed during the year retires at this meeting and being eligible, offers himself for re-election.
      iv. Mr. Federico de Nardis who was appointed during the year retires at this meeting and being eligible, offers himself for re-election.
      v. Ms. Tebogo Skwambane who was appointed during the year retires at this meeting and being eligible, offers herself for re-election.

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

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

6. Directors' Remuneration:
   a. To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 31 December 2021.
   b. To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 31 December 2021.

NOTICE OF THE ANNUAL GENERAL MEETING 2022 (Continued)

7. To note that the auditors, Deloitte Kenya, will continue in office in accordance with Section 721 (2) and 724 of the Companies Act, No.17 of 2015 and to authorize the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act 2015.
8. Any other business of which due notice has been received.

By Order of the Board

Winniefred Jumba

Company Secretary
Date: 4 May 2022

NOTES

1. WPP Scangroup Plc has convened and is conducting this virtual Annual General meeting in accordance with articles 46.3 (b) and 57.1 of the Company's Articles of Association.

2. Any shareholder wishing to participate in the meeting should register for the AGM online via a link to the AGM Platform or via USSD using short code number *384*041# and following the various prompts regarding the registration process. In order to complete the registration process, Shareholders will need to have their ID/Passport Numbers, which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance, Shareholders should dial the following helpline number: +254 20 7608216 from 8 a.m. to 4 p.m. on a working day.

3. Registration for the AGM opens on 20 May 2022 at 9:00 a.m. and will close on 26 May 2022 at 11.00 a.m.

4. In accordance with Section 283 (2) (c) of the Companies Act, the following documents are available for viewing on the Company's website https://www.wpp-scangroup.com/: (i) a copy of this Notice; (ii) Copy of the audited Financial Statements for the year ended 31 December 2021.

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

    i. Accessing the Virtual AGM using the sms/email link to the event provided after registration is completed or reconfirmed to access the AGM.

    ii. Accessing Virtual AGM via https://digital.candrgroup.co.ke; Select Attend Event; Select "WPP ScanGroup Plc AGM"; Select "Q&A" option tab and submit questions in text box provided; or

    iii. Accessing the Virtual AGM via SMS by dialing the USSD *384*041# and selecting the option (ask Question) on the prompts;

    iv. Sending their written questions by email to digital@ candrgroup.co.ke; or

    v. To the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at The Chancery, 5th Floor, Valley Road or Custody and Registrars Services Ltd at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue; Nairobi or

    vi. Sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 34537, GPO 00100, Nairobi.

NOTICE OF THE ANNUAL GENERAL MEETING 2022 (Continued)

6. Written Questions
   Shareholders must provide their full details (full names, ID/Passport Number, Shares or CDSC Account Number) when submitting their questions and clarifications by email, post or delivery.

   All written questions and clarifications must reach the Company on or before Friday, May 27, 2022 at 11:00am. Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return email address provided by the Shareholder by 27 May 2022. A full list of all questions received and the answers thereto will be published on the Company's website not later than 31 May 2022.

   Shareholders should note that it may not be possible to answer all questions during the AGM. A full list of questions received, and the answers thereto will be published on the Company's website not later than the 31 May 2022.

7. Shareholders who will have registered to participate in the meeting shall be able to vote up to and during the AGM by;

   i. Accessing the Virtual AGM platform via the sms/email link for the AGM sent after registration or

   ii. Accessing the Virtual AGM via https://digital.candrgroup. co.ke; Select Attend Event; Select "WPP ScanGroup Plc AGM"; Select "Voting" option tab and vote or

   iii. Accessing the Virtual AGM via USSD platform *384*041#; Use the menu prompts to Select option for "Voting" and follow the various prompts regarding the voting process.

8. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company, but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website via this link: https://www.wpp-scangroup. com/ Physical copies of the proxy form are also available at the following address: Custody and Registrars Services Ltd, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue. A proxy must be signed by the appointor or his attorney duly authorised in writing, or, if the appointor is a company, either under seal, or under the hand of an officer or attorney duly authorised by the company. A completed form of proxy should be emailed in pdf form to proxy@candrgroup.co.ke or delivered to Custody and Registrars Services Ltd, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, so as to be received not later than 25 May 2022 at 11:00 a.m.

   Duly completed proxy form must be supported by a copy of ID/ valid Passport of the member and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 26 May 2022 to allow time to address any issues.

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

NOTICE OF THE ANNUAL GENERAL MEETING 2022 (Continued)

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

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

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

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

DIRECTORS' PROFILES

Richard Omwela, OGW
Chairman and Independent Non-Executive Director

Richard, age 66, 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 Octagon Africa Financial Services Limited.

Ms. Patricia Ithau
Chief Executive Officer

Ms. Patricia, age 56, is a highly accomplished business and marketing leader who brings more than 25 years of experience in senior leadership roles overseeing the expansion of major consumer brands in Eastern Africa at companies including Unilever, Diageo/East African Breweries Ltd and L'Oréal. She also holds a number of board positions at organizations such as ABSA Bank Kenya PLC, TradeMark East Africa Ltd, Jambojet Ltd, and British Chamber of Commerce and Industry, is a Trustee on the boards of Vodafone Foundation UK and M-Pesa Foundation, and was previously a non-executive director on the board of WPP Scangroup from 2017 to 2020.

Patricia is passionate about creating opportunities that improve people's lives. In her previous role as the Regional Director at the Stanford Institute for Innovation in Development Economies – Seed, a Stanford Graduate School of Business initiative to build a network of globally-engaged leaders from Silicon Valley to sub-Saharan Africa, she supported the scale up of more than 200 small and medium-sized businesses in east and southern Africa, leading them to revenue growth, regional expansion and job creation in line with Stanford Seed's mission to eradicate poverty through job creation.

Patricia is an accredited Executive Coach and Emotional Intelligence Practitioner.

Jonathan Neil Eggar
Non-Executive Director

Jonathan, age 46, joined WPP Scangroup in January 2014 in an executive role. Prior to this, he spent twelve years with WPP in a number of roles, both in the parent company and operating companies. He now works as CFO for another wholly owned subsidiary of WPP, whilst continuing to support WPP Scangroup in a Non-Executive role. 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.

Andrew Scott
Non-Executive Director

Andrew, age 53, is Chief Operating Officer for WPP. Prior to joining WPP, Andrew was a strategy consultant at LEK Consulting. He holds an MBA with distinction from INSEAD.

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. Dominic, age 56, is CEO of WPP's Specialist Communications & PR group of companies. The Specialist Communications & PR group comprises over 40 companies and associates, each offering expertise in a different marketing discipline, audience segment or industry sector, and working with different operating companies and clients across the group. Prior to this role Dominic was CEO of GroupM Europe, Middle East and Africa WPP's media investment business and the leader in its field, a role Dominic held through a period of significant growth for over 10 years. Previously Dominic was CEO of MEC EMEA for 4 years before moving to GroupM EMEA when it was established in 2006. Dominic also leads the WPP Sports practice.

Shahid Sadiq
Non-Executive Director

Shahid, age 47, a Chartered Accountant (ICAEW), is the Global CFO of WPP Specialist Communications and PR, responsible for developing and managing the strategic financial and operational objectives of a diverse and complex portfolio of companies. Prior to this, Shahid served as CFO and Chief Operating Officer EMEA at Geometry where, as well as driving margin improvement and commercial excellence, he helped reposition Geometry from a traditional, legacy activation network to a new offer structured to deliver end-to-end creative commerce solutions.

DIRECTORS' PROFILES (Continued)

Ms. Patricia Kiwanuka
Independent Non-Executive Director

Ms. Kiwanuka, age 45, is an accomplished financial services and management expert, currently Managing Director and Founder of the Revenu Stream Limited. She has worked for more than 20 years in Eastern Africa at leading financial institutions including UAP – Old Mutual Group, Sanlam (formerly AIG Investments) and Zamara (Alexander Forbes) Financial Services. Ms. Kiwanuka holds board positions at NSE Clear Ltd and AAR Insurance Kenya. She is a trustee on the board of Banki Kuu (CBK) Scheme and is the chairperson at NSE Derivatives Product Advisory Committee. She is a CFA(R) Charter holder and member of the CFA Institute – USA, a Council member of the Institute of Certified Financial Analysts, ICIFA – Kenya. She holds a Master of Business Administration (Finance) and a Bachelor of Science Degree (Actuarial Science/Statistics) from the University of Nairobi, attended an executive management course at INSEAD and is currently undertaking a Masters in Counselling Psychology at Daystar University. In recognition of her contributions to the industry and society, Ms. Kiwanuka was awarded the Head of State commendation of Order of the Golden Warrior (OGW) in December 2021 and was accepted by Her Majesty the Queen as a Member in the Order of St. John on 4 January 2022.

Ms. Beverley Spencer-Obatoyinbo
Non-Executive Director

Ms. Spencer-Obatoyinbo, age 56, is a highly experienced business leader with an extensive background working in emerging market environments and across diverse sectors including FMCG, pharmaceutical manufacturing and healthcare. She delivered business transformation and growth during her 25-year career at British American Tobacco where she oversaw business units in Nigeria, Egypt, Switzerland, and more recently, Kenya, where she is permanently based. Ms. Spencer-Obatoyinbo joined BAT from GSK and previously worked in the UK's National Health Service. She holds a Customer-Focused Innovation Diploma from Stanford University Graduate School of Business, an Advanced Strategic Management Diploma from IMD Business School and a Marketing Diploma from The Chartered Institute of Marketing.

Mr. Peter M. Kimurwa
Independent Non-Executive Director

Mr. Kimurwa, age 51, is currently the Chief Executive Officer at Arc Skills Kenya, and brings a wealth of experience in finance, business development and strategy, having held senior leadership positions at some of Kenya's prominent companies; The Industrial & Commercial Development Corporation (ICDC), Linksoft Communications Systems Limited (LCS), East African Breweries Limited (EABL), BOC Kenya Limited, British American Tobacco Eastern Africa (BATEA) and PricewaterhouseCoopers. He holds board positions at Old Mutual Investment Group (OMIG) and UAP Insurance South Sudan. He is the chairman of the Audit and Risk Management Committee of WPP Scangroup PLC. Mr. Kimurwa is a Certified Public Accountant and received a Bachelor of Commerce from Kenyatta University and an MBA from INSEAD.

Mr. Federico de Nardis
Non-Executive Director

Mr. de Nardis, age 60, has spent more than 30 years in the communications and marketing industry working in agencies including Saatchi & Saatchi, Maxus (now Wavemaker) and GroupM, where he is currently Chief Executive Officer for Sub-Saharan Africa, based in South Africa. He understands the needs of clients, having also worked at Fiat Group, and is an entrepreneurial leader; he founded Alchera, one of Italy's first digital agencies, and during his time at Maxus, helped the agency to expand, open new offices and achieve double-digit growth. Mr. de Nardis received his BA from the University of Rome, studied in New York as a postgraduate at Pace University and holds a Master's in Management from Isvor Fiat, Fiat Group's training institution.

Ms. Tebogo Skwambane
Non-Executive Director

Ms. Skwambane, age 49, is WPP's Country Manager for South Africa and Chief Strategy Officer at Smollan. She has extensive board experience and is currently a non-executive director at Sphere Holdings and African Parks Network. Ms. Skwambane has more than 20 years' experience as a strategy and management consultant serving major clients in the public and private sectors across the Eastern Europe, Middle East and Africa regions. She started her career at Bain & Company and founded North Road Consulting, before moving into global partner roles at Monitor Consulting and McKinsey & Company. Ms. Skwambane has also worked at International Finance Corporation, World Bank in Washington D.C. and Brown Brothers Harriman and Company in Boston and completed her MBA at Harvard Business School and her BA at Dartmouth College. She has been an African Leadership Institute and Aspen Global Leadership Fellow and was selected as a World Economic Forum Young Global Leader in 2011.

CHAIRMAN'S MESSAGE

Dear Shareholder,

The period under review has been one marked with transition and change. As the second year of the Covid-19 Pandemic, which created existential challenges, focus was on remodelling the business to make it fit for the new post-Covid world.

Economic activity remained depressed, the uncertainty of the situation resulting in conservative spending by our clients. The business pivoted to a world where it could respond to more digital solutions, in line with global trends. Digital and technological ways of communicating were accelerated by the pandemic. I have been most impressed by the way our teams have evolved and settled into the virtual way of working, without compromising on the quality of delivery or responsiveness to the needs of our clients. Revenue and profits from operations however remained depressed with a minimal 5% increase in gross profit over the previous year, a direct result of the economic dynamics outlined earlier.

Following the suspension and subsequent resignations of the previous CEO and CFO, Alec Graham was appointed as the interim Chief Operating Officer, an appointment that ensured the management of the businesses was uninterrupted. I am happy to announce that this decision bore fruit with all legacy financial and operational concerns being addressed and resolved during the year. I would like to sincerely thank Alec for his excellent work over the last year or so.

Further changes in senior management at WPP Scangroup have been embraced as the business prepares to chart a new more dynamic future. To this end, I am happy to announce that we recruited a new CEO, Ms Patricia Ithau, who commenced in March of this year. Patricia is a seasoned executive with vast experience in business leadership, marketing and enterprise development developed over a three-decade career in multi-national organisations and more recently with an impact initiative from the global lead in Business Education, the Stanford Graduate Business School. We also reviewed the governance structures, strengthening the independent non-executive board representation with the appointment of three new Directors. These appointments to be ratified at the AGM, not only improve the independence of the Board but also present a more diverse face of the WPP Scangroup Board of Directors.

Looking forward, I remain cautiously optimistic following some recent business wins in the Group. This outlook is adversely tampered by the challenging trading conditions that exist in the markets we operate in. Inflation and the rise in the cost of living, exacerbated by the Ukraine war, are likely to negatively impact the marketing budgets of our clients. Uncertainty linked to the Kenyan elections is also likely to add to this.

I am confident that the business with its recent re-modelling and focus on stronger capability building, growing a broader geographical footprint and driving a more collaborative culture across the WPP network to aggregate greater synergies in areas of strength, will put every effort to rise above the challenges to deliver a stronger performance to its shareholders this coming year.

Consolidated results for 2021

Despite a challenging business environment in 2021, the Group gross profit rose by KShs. 113m or 5% to KShs. 2.4bn compared to the previous year while total net charges against our income reduced by KShs. 1.6bn resulting in a small profit before tax of KShs. 134m compared to a loss in 2020 of KShs. 1.5bn. The principal elements contributing to the KShs. 1.6bn cost reduction were a decrease of KShs. 740m in debt provisions, KShs. 315m lower charges relating to goodwill write downs, KShs. 240m lower operating and administrative expenses and a reduction of KShs. 129m in impairment provisions against investments in associates.

CHAIRMAN'S MESSAGE (Continued)

2021 was the first full year of operation following the disposal of the Kantar businesses in 2020. These businesses represented 43% of Group gross profit prior to the disposal. The net gain on the disposal of Kantar amounted to KShs. 2,242m which was disclosed separately in the Statement of Profit or Loss and other Comprehensive Income in 2020 as required by International Reporting Standards.

Outlook for 2022

With signs of the COVID-19 pandemic waning, and widespread lock downs becoming a thing of the past in the region, we are starting to see some slow return of momentum in 2022. Through 2022 several of the countries we operate in are gearing up for elections (including Kenya in Q3 of 2022), and this may impact business. All factors considered we are taking a cautiously optimistic view of 2022.

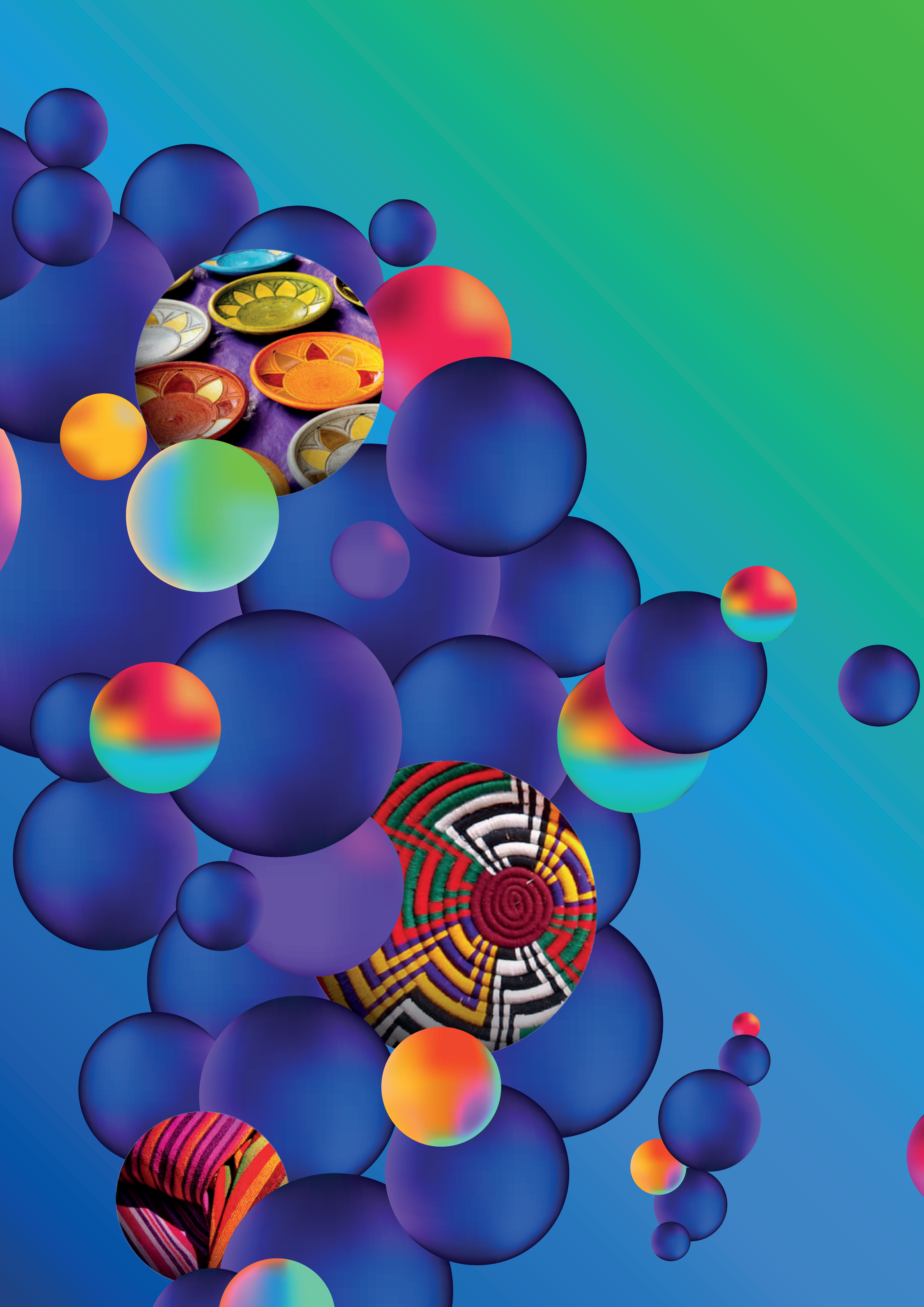
Proposed Dividend

The directors have not declared a final dividend for the financial year ended 31 December 2021. A special interim dividend of KShs. 8.00 per share totalling KShs. 3.5bn in issue was paid in 2020.

Appreciation

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

Richard Omwela
Chairman
27 May 2022



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 stakeholders.

Board and Directors

The directors who served during the year 2021 were Mr Richard Omwela (Chairman), Mr. Pratul Shah, Mr. Dominic Grainger, Mr. Andrew Scott, Mr. Shahid Sadiq, Mr. Jonathan Eggar and Mr. Jason Day (who retired at the AGM in September 2021).

There have been changes in the Board in 2022 with the appointment of Ms. Patricia Ithau as the Chief Executive Officer and Executive Director on 14th March 2022. The Board also expanded its membership on 31st March 2022 with the appointment of Ms. Patricia Kiwanuka, Ms. Beverley Spencer-Obatoyinbo and Mr. Peter M. Kimurwa as independent non-executive directors and the Mr. Federico de Nardis and Ms. Tebogo Skwambane as non-executive directors. Mr. Pratul Shah resigned from the Board on 31st March 2022. Following these changes, the Board of directors now comprises of one executive director, three independent non-executive directors and seven non-executive directors.

The independent directors ensure that independent thinking is brought to bear on Board decisions. Independent directors have no management or business relationships with the Company that could influence their independence.

The directors who held office during the year under review and to the date of this report are listed on page 16.

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

The Committee members who served during the year were Mr. Pratul Shah (Chairman), Mr. Richard Omwela and Mr. Jonathan Eggar. The Committee has been reconstituted following the expansion of the Board. Membership of the Audit & Risk Committee now comprises of six non-executive directors: Mr. Peter M. Kimurwa, Ms. Patricia Kiwanuka, Ms. Beverley Spencer-Obatoyinbo, Mr. Jonathan Neil Eggar, Mr. Shahid Sadiq and Mr. Federico de Nardis

The Chief Operating officer & the Risk Assessment & Controls director are regular invitees to the Committee's meetings. In addition, the external auditor may be invited to attend as necessary, at least once a year. The Committee's responsibilities include; review of financial statements, compliance with accounting standards, oversight on internal control systems and the internal audit function, identification, assessment and effectiveness of business risk management processes and liaison with the external auditor.

CORPORATE GOVERNANCE (Continued)

Nominating & Remuneration Committee

The Committee members who served during the year were Mr Richard Omwela (Chairman), Mr. Dominic Garinger and Mr. Andrew Scott. The Committee has been reconstituted in 2022 following the expansion of the Board The Nominating & Remuneration Committee now comprises of Ms. Beverley Spencer-Obatoyinbo (Chairperson), Mr. Peter M. Kimurwa, Ms. Patricia Kiwanuka, Mr. Omwela, Mr. Scott and Mr. Dominic Garinger. 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.

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 2021 are disclosed on page 30. No loans were given to any director during the year. Currently, there is no director with an interest in the shareholding of the Company.

Dealing in company's shares

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

Internal controls

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

Business ethics

The WPP Code of Business Conduct underpins ethical standards for our people & businesses. The Code of Business Conduct applies to everyone at WPP Scangroup Plc. It sets out our responsibilities to our people, partners and shareholders to act ethically and with integrity.

Investor relations

Information on the Company's shareholding is provided on page 19. The Company values its relationship with the shareholders and the investment community and ensures regular and reliable communication through publication of its financial performance, publication of the Annual Report, holding of the Annual General Meeting and other general meetings prescribed by law. The Company's primary communication channel remains the Nairobi Securities Exchange and media releases consistent with legal and regulatory requirements.

CORPORATE GOVERNANCE (Continued)

REPORT ON BOARD MEETING ATTENDANCE RECORD FOR 2021

The Board

WPP SCANGROUP PLC

BARC

	10.02.21	26.04.21	27.07.21	26.08.21	18.11.21
P. Shah	√	√	√	√	√
R. Omwela	√	√	√	√	√
J. Eggar	√	√	√	√	√

BNRC

	02.09.21
R. Omwela	√
D. Grainger	√
A. Scott	√

BOARD

	11.02.21	28.04.21	17.06.21	2.07.21	27.08.21	29.09.21	19.11.21	20.12.21
R. Omwela	√	√	√	√	√	√	√	√
P. Shah	√	√	√	√	√	√	√	√
D. Grainger	√	√	√	√	√	√	√	√
J. Eggar	√	√	√	√	√	√	√	√
S. Sadiq	√	√	√	√	√	√	√	√
A. Scott	x	√	√	√	√	x	√	√
J. Day	√							
B. Thakrar	√							
S. Das	√							

By Order of the Board

Winniefred Jumba

Company Secretary

27 May 2022

Nairobi

CORPORATE INFORMATION

DIRECTORS	Richard Omwela	Chairman
	Patricia Ithau	Chief Executive Officer
	Jonathan Neil Eggar*	
	Andrew Scott*	
	Dominic Grainger*	
	Shahid Sadiq*	
	Patricia Kiwanuka	
	Beverley Spencer-Obatoyinbo*	
	Peter M. Kimurwa	
	Federico de Nardis**	
	Tebogo Skwambane***	
		* British
		** Italian
		*** South African
SECRETARY	Winniefred Jumba Certified Public Secretary (Kenya) Stamford Corporate Services LLP 5th Floor, West Wing, ICEA Lion Riverside Park, Chiromo Road P. O. Box 10643 – 00100 Nairobi	
REGISTERED OFFICE	The Chancery, 5th Floor Valley Road, Upper Hill P. O. Box 34537- 00100 Nairobi Telephone: +254 (20) 2710021, 2799000	
AUDITORS	Deloitte & Touche LLP Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P. O. Box 40092 – 00100 Nairobi	
PRINCIPAL BANKER	Stanbic Bank Kenya Limited Upper Hill Medical Centre Branch P.O. Box 2492 – 00200 Nairobi	
SHARE REGISTRARS	Comp-rite Kenya Limited 2nd Floor, Crescent Business Centre The Crescent, off Parkland Road P.O. Box 64328 – 00619 Nairobi	

CORPORATE INFORMATION (Continued)

GROUP COMPANIES, BUSINESS ACTIVITIES AND GEOGRAPHIC PRESENCE

Business Activities	Country
Advertising	
Scanad Ghana Ltd.	Ghana
Ogilvy Ghana Ltd.	Ghana
Scanad Kenya Ltd.	Kenya
J. Walter Thompson Kenya Ltd.	Kenya
Scanad Africa Ltd.	Kenya
Grey East Africa Ltd.	Kenya
Ogilvy & Mather (Eastern Africa) Ltd.	Kenya
Geometry Global Ltd.	Kenya
Ogilvy Africa Ltd.	Kenya
Ogilvy Kenya Ltd.	Kenya
Scanad Nigeria Ltd.	Nigeria
Scanad Rwanda Ltd.	Rwanda
O&M Africa B.V. (Branch Office)	South Africa
Scanad Tanzania Ltd.	Tanzania
J.Walter Thompson Tanzania Ltd.	Tanzania
Ogilvy Tanzania Ltd.	Tanzania
Scanad Uganda Ltd.	Uganda
JWT Uganda Ltd.	Uganda
Ogilvy & Mather Zambia Ltd.	Zambia
Speciality communication	
Roundtrip Ltd.	Kenya

Business Activities	Country
Media investment management	
GroupM Africa Ltd.	Kenya
MEC Africa Ltd.	Kenya
Media Compete East Africa Ltd.	Kenya
Mindshare Kenya Ltd.	Kenya
Ogilvy Africa Media Ltd.	Kenya
Scangroup (Malawi) Ltd.	Malawi
Scangroup (Mauritius) Ltd.	Mauritius
Scangroup Mozambique Limitada	Mozambique
Scangroup (Zambia) Ltd.	Zambia
Public relations	
Hill & Knowlton East Africa Ltd.	Kenya
Ogilvy Public Relations Ltd.	Kenya
Hill & Knowlton Strategies Nigeria Ltd.	Nigeria
Hill & Knowlton Strategies Uganda Ltd.	Uganda
Hill + Knowlton Strategies SA Pty Ltd.	South Africa
WPP Team Gabon SARL	Gabon
Digital advertising	
Squad Digital Ltd.	Kenya
Squad Digital Nigeria Ltd.	Nigeria

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

HISTORICAL FINANCIAL TRENDS

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR THE YEAR

All figures in KSh'000	2021	2020	2019	2018	2017
Revenue	7,596,164	6,341,145	14,118,620	16,306,447	16,791,084
Gross Profit	2,352,241	2,238,979	4,122,869	4,835,073	5,022,408
Interest income	224,380	204,010	290,412	406,528	436,098
Profit before taxation	134,083	(1,454,493)	696,414	725,925	875,271
Tax charge	(172,023)	(278,035)	(218,471)	(265,545)	(396,599)
Profit after tax	(37,940)	(1,732,528)	477,943	460,380	478,672
Non controlling interests	18,568	86,440	(23,247)	(37,395)	(55,096)
Profit available to Scangroup Shareholders	(19,372)	(1,646,088)	454,696	422,985	423,576
Basic earnings per share (EPS) (KShs.')	(0.04)	(3.81)	1.20	1.12	1.12
Weighted average number of shares (million)	432.16	432.16	378.87	378.87	378.87

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

All figures in KSh'000	2021	2020	2019	2018	2017
ASSETS					
Non – current assets	844,806	995,252	3,184,247	2,834,897	2,374,237
Current assets	8,599,977	7,746,631	11,240,951	10,924,015	11,112,161
Total assets	**9,444,783**	**8,741,883**	**14,425,198**	**13,758,912**	**13,486,398**
LIABILITIES					
Non – current liabilities	98,217	143,419	505,080	5,880	4,662
Current liabilities	4,146,169	3,330,943	5,430,739	4,787,863	4,673,097
Equity	5,200,397	5,267,521	8,489,379	8,965,169	8,808,639
Total Equity and Liabilities	**9,444,783**	**8,741,883**	**14,425,198**	**13,758,912**	**13,486,398**

SHAREHOLDING INFORMATION

Top 10 Shareholders

Rank	Name	Number of shares held	% of issued share capital
1	Cavendish Square Holding B.V	176,903,560	40.94%
2	Russell Square Holding B.V	53,290,883	12.33%
3	Standard Chartered Kenya Nominees Ltd A/C KE002335	51,813,561	11.99%
4	Thakrar, Bharat Kumar K J, Thakrar, Sadhna Bharat	45,302,860	10.48%
5	Standard Chartered Kenya Nominees Ltd, A/C KE20510	21,148,243	4.89%
6	Ogilvy And Mather South Africa (PTY) Ltd	12,907,856	2.99%
7	Bora Services Limited – SERS1	2,693,267	0.62%
8	Joseph, Macharia Maina Monyo	1,930,000	0.45%
9	Kotak, Bella	1,922,200	0.44%
10	Mavji, Ramila Harji	1,410,100	0.33%
	Total	**369,322,530**	**85.46%**

SHAREHOLDERS BY RANGE

Range	Number of Members	Total Number of Shares	Percent
1 -500	18,127	5,919,325	1.37%
501 – 1,000	3,366	2,317,471	0.54%
1,001 – 5,000	2,244	4,847,585	1.12%
5,001 – 10,000	469	3,457,604	0.80%
10,001 – 50,000	518	11,119,302	2.57%
50,001 – 100,000	87	6,334,068	1.47%
100,001 – 500,000	71	13,463,520	3.12%
500,001 – 1,000,000	16	10,701,180	2.48%
Above 1,000,000	15	373,995,930	86.53%
Total	**24,913**	**432,155,985**	**100.00%**

Shareholders by Category	Number of Shareholders	Number of shares held	% of issued share capital
Foreign Investors	293	320,643,733	74.20%
East Africa Individuals	23,762	100,964,157	23.36%
East Africa Institutions	858	10,548,095	2.44%
Total	**24,913**	**432,155,985**	**100.00%**

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 2021, which disclose its state of affairs.

PRINCIPAL ACTIVITY

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Profit / (loss) before tax	134,083	(1,454,493)	152,090	(2,506,163)
Tax charge	(172,023)	(278,035)	(37,108)	(244,656)
(Loss) / profit for the year from continuing operations	**(37,940)**	**(1,732,528)**	**114,982**	**(2,750,819)**
Loss for the year from discontinued operations	–	(126,682)	–	–
Net gain on disposal of discontinued operations after tax	–	2,242,028	–	1,971,011
(Loss) / profit for the year	**(37,940)**	**382,818**	**114,982**	**(779,808)**
Other comprehensive loss	(4,458)	(25,718)	–	–
Total comprehensive (loss) / income for the year	**(42,398)**	**357,100**	**114,982**	**(779,808)**

The detailed results of the Group and the Company are included on page 36.

FINANCIAL REVIEW

REVIEW OF RESULTS

Group results:

Gross profit in 2021 was KShs. 2,352m an increase of KShs. 113m (5%) compared to the prior year. Operating and administrative expenses amounted to KShs. 2,464m, a reduction of KShs. 240m compared to the prior year, mainly due to reductions in staff costs. No further write off of goodwill arising on consolidation was made during the year, while a further provision for impairment in the value of investments in associates amounting to KShs. 30m was made. The profit before tax for the group amounted to KShs. 134m compared to a loss of KShs. 1,454m in 2020.

Company results:

The profit of the Company after tax amounted to KShs. 115m for the year ended 31 December 2021. This compares to a loss of KShs. 779.8 in the prior year. The prior year results included a gain on the disposal of the Kantar operations amounting to KShs. 1,971m and dividends from subsidiaries amounting to KShs. 1,381m, offset by an impairment charge of KShs. 3,364m.

REPORT OF THE DIRECTORS (Continued)

ALTERATION TO CAPITAL STRUCTURE – CREATION OF MERGER RESERVE

Following approval by shareholders at the Annual General Meeting held on 30 September 2021 and pursuant to paragraph C(01)(A) of the Fifth Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and section 388 of the Companies Act, 2015, the Company has altered its capital structure by transferring an amount of KShs. 4,719 m from its Share Premium account to a Merger Reserve account. Section 388 of the Companies Act, 2015 permits that if an acquiring company acquires at least ninety percent (90%) equity in another company and the consideration includes an issue of the acquirer's shares, then the acquiring company will be eligible to create a Merger Reserve by crediting the difference between the issue price of shares and their nominal value to a Merger Reserve instead of crediting the share premium to a Share Premium account. The transfer of KShs. 4,719 m represents share premium in respect of shares issued by the Company for the acquisition of 90% or more of the shares in various entities in 2013. For further information on the creation of the Merger Reserve, please refer to notes on the Statement of Changes in Equity on pages 38 to 39 and note 28 of the financial statements.

DIVIDENDS

The directors do not declare a final dividend for the financial year ended 31 December 2021 (2020: Nil). A special interim dividend of KShs. 8.00 per share totalling KShs. 3,457,247,880 based on 432,155,985 shares in issue was paid in 2020.

ENHANCED BUSINESS REVIEW

OVERVIEW

WPP Scangroup prides itself on being a leading marketing services group in sub-Sahara Africa. With a vast and comprehensive network of agencies, we use the power of creativity to achieve better future for our clients and the communities we live in.

Data and technology are reshaping the way the world thinks, works and communicates. Against this backdrop, it is imperative that we have digital offerings as an integral part of our offering to secure our future success. With internal remodelling of all our agencies, we have chosen a path that allows us to succeed and put us in the forefront of the new normal as our local markets develop.

While there is excitement and value in digital, the investment levels from clients in the region are still not growing as fast as other parts of the world. COVID 19 has led to a significant acceleration in digital spends (from a small base) during 2020, but mass media such as radio, TV and Out-Of-Home continue to command a dominant share of spends in most of our markets. We believe that it will take the next three to five years for digital spends to catch up to mass media in sub-Sahara Africa. In the meantime, we are seeing growing momentum and growth in social media content, social intelligence and influence across our markets.

With global companies struggling to find growth opportunities in most regions around the world, there is a renewed focus on Africa from multinational Fast-Moving Consumer Goods (FMCG) and other companies that will benefit Scangroup. There are at the same time a number of green-field opportunities in areas such as content, tech, data/intelligence and direct-to-consumer (including e-commerce) where most of Africa is still at a nascent stage.

Our approach to win is to deploy our portfolio of agency networks, each with its own strengths, and our extensive geographical reach to put WPP Scangroup on a path of sustainable growth.

REPORT OF THE DIRECTORS (Continued)

OPERATIONS

2021 continued to be a difficult year for most industries and countries around the world, and WPP Scangroup is no exception. The COVID-induced challenges including slow economic growth, budget reductions from clients, and lockdowns impacting travel, hospitality and tourism sectors in particular.

The pressure created by sluggish economies and reduced client spend has led us to re-organising operations across our agencies to make our businesses nimble and more fit-for-purpose, without compromising on investments in resources that will secure our future prosperity.

LOOKING AHEAD

With signs of the COVID pandemic waning, and widespread lockdowns becoming a thing of the past in the region, we are starting to see some return of momentum in 2022. Through 2022 several of the countries we operate in are gearing up for elections (including Kenya in Q3 of 2022), and this may impact business. All factors considered we are taking a cautiously optimistic view of 2022.

STRATEGIC GOALS & KEY PRIORITIES FOR 2021 AND 2022

WPP Scangroup has substantial assets. We partner with some of the world's top brands in Africa and several top-notch regional and local brands. While eager to grow our scale further we are, by far, the leading player in sub-Sahara Africa. The support, know-how and client connections of WPP plc is invaluable and places us in an unrivalled position of strength. Indeed, greater synergies with WPP agencies in South Africa to give global and regional clients a more robust African footprint is a partnership that will be more strategically leveraged.

Our top priority for 2022 is to achieve peer level growth, while improving margins. There are three growth engines available to us that will drive us forward.

CAPABILITIES: To achieve our vision of being a top Creative Transformation company, opportunities lie at the intersections of Content, Data and Technology – with creativity being at the heart of everything we do. While we have deep expertise in creative, digital, PR and media, we need to continue to grow these capabilities across all the markets we operate in. Whereas efforts to find further cost efficiencies is an ongoing effort and remains priority in 2022, given the talent-driven nature of our business, we will continue to cut out inefficiencies where possible while adding capacity/capability where needed and be home to top talent in Africa.

For capability expansion, we plan to leverage WPP's global partner networks and platforms and forge regional and local partnerships with companies that can help us aggregate top-competencies with shorter burn-cycles in areas of data, tech and e-commerce. We will be looking at how we create greater synergies across the full agency network available in the WPP Scangroup geographies as well as with South Africa.

COUNTRIES: While our business spans sub-Saharan Africa, a significant share is concentrated in East Africa. Geographic expansion, therefore, remains a key opportunity for sustained growth as the potential client pools look for a partner with a broader geographical footprint.

CULTURE: In today's environment, Collaborative Advantage is more valuable than Competitive Advantage. We will focus on growth through partnerships and collaborations.

REPORT OF THE DIRECTORS (Continued)

We are fostering a culture of collaboration across our agency networks to harness individual strengths and market presence in order to serve our clients' needs better. We aim to do this by leveraging the portfolio of our agencies to each, develop complementary strengths that can be aggregated seamlessly, as WPP Scangroup. This will allow us to utilise, the core-strength of each of our agencies as centre of excellence for all our entities.

Further to this, and to forge a new future, there will be a greater focus on building an internal culture of creativity first where trust and openness is an imperative and the best talent see this as a great place to work and grow.

GOVERNANCE

The Board of Directors is committed to strengthening an effective system of corporate governance to support the successful execution of the Group's strategy. The Board attaches great importance to the need to conduct business and operations of the group with integrity, transparency and accountability. The Board is also collectively responsible for promoting the success of the Group by directing and supervising the Group's policy and strategy and is responsible to shareholders for the Group's financial and operational performance, corporate governance and risk management. The Board is committed to complying with legislation, regulation and best practice, and it has in particular adopted the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) issued by the Capital Markets Authority.

The Board of Directors conduct its oversight responsibilities through Board committees and the Executive Risk Committee.

MANAGING RISKS

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

PRO BONO WORK

GIVE – The Social Mission Program of Ogilvy Africa

Started in 2019 as a small Corporate Social Responsibility (CSR) initiative to support local artists in Kenya, GIVE has scaled up significantly and today operates across Ogilvy Africa's offices in Accra, Dar-es-salaam, Nairobi, Lagos and Lusaka. Our initiatives also receive active support from our affiliates and partners in several countries across Sub-Sahara Africa.

Through GIVE, we aim to impact communities by helping them address, real-world problems. This is an agency-wide initiative where we contribute our core skills such as strategy, behavioural sciences, communication, influence and creativity to support selected causes. Over one hundred of our employees actively contributed, devoting their time, efforts and skills to the various programmes. Our support was provided on a pro bono basis or at significantly discounted, 'humanitarian pricing'.

Examples of initiatives that we supported during the year include:

Lesso Lessons – In Kenya, over 26% of children under the age of 5 years (or 1 in every 4 children) suffer from chronic malnutrition. The statistics are as alarming in many other countries in Africa. We took a traditional utility (a Lesso), used widely by mothers in our countries, and turned each garment into a means of distributing relevant nutritional guidance (a Lesson) to mothers, at every stage of their child's development. 'Lesso Lessons' uses design thinking to tackle a seemingly intractable issue in a way that seamlessly fits into African women's lives. The initiative was endorsed by the Ministry of Health in Kenya and several community health champions. As a part of our GIVE programme, Ogilvy Africa partnered with Roto Tanks (a leading brand of water tanks with a wide distribution network in rural Kenya) to distribute thousands of Lessos in rural Kenya. We aim to expand the programme to more African nations in the coming years. Read More: https://ogilvy.africa/work/lesso-lessons/

REPORT OF THE DIRECTORS (Continued)

Population Services International (PSI) – In Zimbabwe, we partnered with PSI on a campaign to reduce Gender-based violence, which saw an increase, especially at the peak of the pandemic and Government lockdowns. The campaign, #LoveShouldn'tHurt, was launched in 2021 and on the back of its impact, we have extended our partnership with PSI further to tackle other relevant issues.

Coalition of Blood for Africa (CoBA) – Ogilvy Africa a partner of CoBA since its inception in 2020. For International Women's Day (IWD) 2021, our PR&I team partnered with CoBA on an initiative to 'Keep Mothers Alive'. The aim being, to sensitize Kenyans on postpartum haemorrhage (or PPH) amongst women. The campaign done on IWD helped raise awareness of the issue and mobilized citizens to contribute 3,000 units of blood on a single day to be distributed in maternity wards.

In addition, Ogilvy Africa also supported a number of clients with their community initiatives. Examples include:

Airtel Africa – We partnered with Airtel Africa for its regional corporate initiative named, Transforming Lives. This initiative seeks to highlight the transformational impact of Internet enabled services in tackling economic, social and human problems. The community impact varies from helping reduce rhino-poaching in national reserves, to helping small businesses succeed. The program has reached Kenya, Malawi, Rwanda, Uganda, and Zambia in a phased manner, and is likely to be expanded to further countries on the continent.

GGBL (Diageo, Ghana) – In Accra Ogilvy Africa, Ghana worked with GGBL in supporting local bars and Wines & Spirits retailers to stay afloat during the pandemic lockdowns which had led to several bars closing their doors. The support program supported these small business owners and their families through testing times for their businesses, and helped them bounce back, when the businesses were allowed to re-open.

Unilever East Africa – Ogilvy Africa, Kenya partnered with Unilever on the 'Sunlight, Women of More' campaign. The agenda of the campaign was the sustainable empowerment of women-owned businesses. The initiative was run in partnership with Unilever, Absa Bank and the United Nations Institute for Training and Research (UNITAR). Over 172 women-owned SMEs were supported with micro-advertising campaigns promoting their products and services for a period of 100 days. The initiative was recognised as one of Unilever's top programs, globally and received the prestigious Global Chairman's Award in 2021.

The CURIOCITY LIBRARY PROJECT

In 2021, Scanad partnered with Sukuma Twende Trust to donate libraries to deserving schools in Kenya. This trust has been working with Start a Library to develop and maintain libraries at a number of schools. Beginning in October 2021,Scanad assisted in building 2 libraries. We plan to continue doing this in coming years as our CSR initiative and hope to set up at least 6 libraries every year.

This initiative was chosen as knowledge is the great equaliser and it is important that children learn to read from an early age. In Kenya, 92% of schools don't have libraries that assist in unlocking the knowledge potential of children. Our profession is based on people being well-read and being knowledgeable about culture, our communities and the wider world. It is only through awareness via reading that one can accomplish more in life. School Libraries provide safe spaces for intellectual curiosity where students may explore their interests without judgement and embrace learning as a life skill, not just an academic necessity. School libraries are resources for both students and teachers.

REPORT OF THE DIRECTORS (Continued)

EMPLOYEE STATISTICS

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

i) Categorisation by employment contract

	31 December 2021	31 December 2020
Permanent	277	228
Contracted	240	328
	517	**556**

ii) Categorisation by gender

	31 December 2021		31 December 2020	
	Male	**Female**	**Male**	**Female**
Senior leadership	50%	50%	52%	48%
Head Of Department	55%	45%	50%	50%
Senior Managers	47%	53%	54%	46%
Overall	52%	48%	56%	44%

DIRECTORS

The current members of the Board of Directors are as shown on Page 16.

Changes to the Board of Directors during the period were:

During 2021, as reported in the 2020 report and accounts, Mr Bharat Thakrar resigned as Chief Executive Officer in March 2021 and Mr. Satyabrata Das resigned as Chief Financial Officer in May 2021 during the course of an investigation into allegations of gross misconduct.

Ms. Patricia Ithau was appointed as Chief Executive Officer and Executive Director effective 14 March 2022.

There were in addition the following changes in Non-Executive Directors of the Company:

Appointments:

Ms. Patricia Kiwanuka was appointed as a non-executive director on 31 March 2022.

Ms. Beverley Spencer-Obatoyinbo was appointed as a non-executive director on 31 March 2022.

Mr. Peter M. Kimurwa was appointed as a non-executive director on 31 March 2022.

Mr. Federico de Nardis was appointed as a non-executive director on 31 March 2022.

Ms. Tebogo Skwambane was appointed as a non-executive director on 31 March 2022.

Resignations:

Mr. Pratul Shah retired as a non-executive director on 31 March 2022.

Mr. Jason Day retired at the Annual General Meeting held on 30 September 2021.

EVENTS AFTER THE REPORTING DATE

Ms. Patricia Ithau was appointed as Chief Executive Officer and Executive Director of the company on 14 March 2022.

In addition, the company appointed a number of new non-executive directors on 31 March 2022 and Mr. Pratul Shah retired at the same time. Details of these appointments are included in the section above.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

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

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

AUDITORS

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

By Order of the Board

Winniefred Jumba

Company Secretary

28 April 2022

Nairobi

DIRECTORS' REMUNERATION REPORT

Chairman's statement

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

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

Executive Directors

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

Non-Executive Directors

In recognition of their contribution to the Company, Non-Executive Directors receive an honorarium fee 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.

Non-Executive Directors who are employed by WPP plc are not remunerated as Directors of the Company or the Group.

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' REMUNERATION REPORT (Continued)

Directors' Contract of Service

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

Table (i)

	Name	Position	1st date of appointment	Last re-election	Date of end of current tenure
1	Mr. Richard Omwela	Chairman/ Independent Director	14/11/2005	30/09/2020	N/A
2	Mr. Andrew Grant Balfour Scott	Director	31/10/2008	N/A	Due for re-election in accordance with Article 30.1
3	Mr. Jonathan Neil Eggar	Director	29/05/2015	N/A	Due to retire in accordance with Article 29.5
4	Mr. Pratul Hemraj Shah	Independent Director	26/07/2018	30/09/2021	Retired wef 31/03/2022
5	Mr. Dominic Grainger	Director	26/07/2018	10/05/2019	N/A
6	Mr. Jason Day	Director	08/02/2021	N/A	Retired wef 30/09/2021
7	Mr. Shahid Sadiq	Director	08/02/2021	30/09/2021	N/A
8	Ms. Patricia Ithau	CEO and Executive Director	14.03.2022	N/A	N/A
9	Ms. Patricia Kiwanuka	Director	31.03.2022	N/A	Due to retire in accordance with Article 29.5
10	Ms. Beverley Spencer-Obatoyinbo	Director	31.03.2022	N/A	Due to retire in accordance with Article 29.5
11	Mr. Peter M. Kimurwa	Director	31.03.2022	N/A	Due to retire in accordance with Article 29.5
12	Mr. Federico de Nardis	Director	31.03.2022	N/A	Due to retire in accordance with Article 29.5
13	Ms. Tebogo Skwambane	Director	31.03.2022	N/A	Due to retire in accordance with Article 29.5

Directors' Shareholdings

Name	Number of shares held	% of issued share capital
Jonathan Neil Eggar	300,000	0.07%
Richard Omwela	2,520	0.00%
Total	**302,520**	**0.07%**

DIRECTORS' REMUNERATION REPORT (Continued)

Commentary on Significant Changes to Directors' Remuneration

Details of the fees for the Non-Executive Directors and remuneration of the Executive Directors paid in the financial year under review are set out in table (iii) below.

The Board is satisfied that the current remuneration policy continues to be appropriate for the Company and will support the implementation of the Group's short term and long-term objectives.

The Board will undertake a review on the adequacy of the policy each year to ensure that it supports the Company's Strategy.

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

During the Annual General Meeting held on 30 September 2021, the shareholders in attendance approved the Directors' Remuneration Report for the year ended 31 December 2020.

The results of voting were as follows:

Table (ii)

RESOLUTION	Voted in Favour	% In Favour	Voted Against	% Against	Abstained	% Abstained
Directors' Remuneration:						
a) To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 31 December 2020.	258,818,755	99.76%	327,430	0.13%	293,903	0.11%
b) To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 31 December 2020.	258,791,135	99.75%	343,400	0.13%	305,553	0.12%

The Current Directors' Remuneration Policy and Strategy

Current Policy

The principles which underpin the remuneration of the Non-Executive Directors (NED)s are as follows:

a) The Company should remunerate its Directors fairly and responsibly.

b) The remuneration should be sufficient to attract, motivate and retain directors to run the Company effectively.

c) The remuneration should be consistent with recognised best practice standards and is competitive in line with remuneration for other directors in competing sectors.

d) The remuneration should reflect the Directors' responsibilities, expertise and the complexity of the Company's activities.

The directors have not recommended any change to the compensation scale.

Payments to past Directors

There were no payments of Directors' fees to past directors during the year.

Approval by shareholders

As per section 681 (4) of the Companies Act, 2015, the Directors Remuneration Report will be presented to the members for approval.

DIRECTORS' REMUNERATION REPORT (Continued)

INFORMATION SUBJECT TO AUDIT

The following table shows a single figure remuneration for the Executive Directors, Chairman and Non-Executive Directors in respect of qualifying services for the year ended 31 December 2021 together with the comparative figures for 2020. The aggregate Directors' emoluments are shown in table (iii) below.

Table (iii)

31 December 2021

All figures in KSh'000

Director	Salary	Allowances	Fees	Value of non cash benefits	Total
Bharat Thakrar	23,845	5,375	–	1,773	30,993
Satyabrata Das	9,856	2,430	–	632	12,918
Richard Omwela	–	–	3,950	–	3,950
Pratul Hemraj Shah	–	–	2,300	–	2,300
Total	**33,701**	**7,805**	**6,250**	**2,405**	**50,161**

No compensation for loss of office was paid to any director during the year ended 31 December 2021.

31 December 2020

All figures in KSh'000

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

Winniefred Jumba

Company Secretary

Nairobi

28 April 2022

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 28 April 2022 and signed on its behalf by:

Richard Omwela
Director

Patricia Ithau
Director

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

Deloitte.

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Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the accompanying consolidated and company financial statements of WPP Scangroup Plc ("the Group") set out on pages 36 to 88, which comprise the consolidated and company statements of financial position as at 31 December 2021, the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and consolidated and company statements of cash flows for the year then ended, and notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and company financial statements give a true and fair view of the financial position of the Group and of the company as at 31 December 2021 and of their consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key Audit Matters

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

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

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

Key Audit Matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Valuation of Investment in Subsidiaries
As disclosed in note 17 of the consolidated and company financial statements, as at 31 December 2021, the investments in subsidiaries was KShs. 1,488,051,000 (2020: KShs. 1,579,433,000) representing 87% (2020: 83%) of the non-current assets of the company and 21% (2020: 23%) of the total assets of the company. During the year an impairment provision of KShs. 91,382,000 (2020: KShs. 3,363,747,000) was made against these investments.

The Company assesses the recoverable amount of its investment in subsidiaries against the carrying value to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the company applies the requirements of IAS 36: Impairment of Assets in assessing the carrying amount of the investment. This process includes comparing the recoverable amount of the investment to its carrying value. Due to the level of judgement and estimation relating to the impairment assessment of investment in subsidiaries, the valuation of investment in subsidiaries is considered to be a key audit matter.

The directors conduct annual impairment tests to assess the recoverability of the carrying value of investments in subsidiaries using discounted cash flow models.

As disclosed in note 6 and note 17 to the consolidated and company financial statements, there are a number of critical accounting judgements made and key sources of estimation in determining the inputs into these models which include:
• Estimation of the future cash flows expected to be generated by the subsidiaries,
• The discount rates applied to the projected future cash flows to arrive at the present value, and
• Growth rates applicable to the subsidiaries based on directors' view of future business prospects.

Accordingly, the determination of the recoverable amount of investments in subsidiaries requires the directors' use of significant judgement and estimations and we therefore considered it to be a key audit matter.
</td><td>
Our procedures included challenging the directors on the reasonableness of the discounted cash flow model and other qualitative considerations and assumptions used to determine the charges to profit or loss through performing the following audit procedures:
• We engaged our internal fair value specialists to assist with:
   ◦ Assessing the methodology used in preparing the impairment testing model;
   ◦ Critically evaluating whether the model used by the directors to calculate the recoverable values of the subsidiaries and whether it complies with the requirements of IAS 36, Impairment of Assets; and
   ◦ Reviewing the assumptions used to calculate the growth and discount rates and assessing these rates for reasonableness.
• Analysed the projected cash flows and the key assumptions used in projecting the cash flows. The key assumptions are annual growth rates, long-term growth rates and discount rates.
• Subjected the annual growth rates to sensitivity analyses.
• Tested the integrity and mathematical accuracy of the impairment model and agreeing on relevant input data to independent sources (where applicable).
Based on our audit, the judgements made by directors are appropriate and the disclosure is in terms of IFRS.
</td></tr>
</table>

INDEPENDENT AUDITOR'S 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, and statement of directors' responsibilities 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.

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.

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.

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.

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

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

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 20 to 26 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 page 30 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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

For and on behalf of Deloitte & Touche LLP

Certified Public Accountants (Kenya)

Nairobi

28 April 2022

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

		CONSOLIDATED		COMPANY	
All figures in KSh'000	Notes	2021	2020 restated *	2021	2020 restated *
Continuing operations					
Revenue	7	7,596,164	6,341,145	1,256,664	1,106,744
Direct costs		(5,243,923)	(4,102,166)	(1,154,707)	(1,042,885)
Gross profit		**2,352,241**	**2,238,979**	**101,957**	**63,859**
Interest income	8	224,380	204,010	203,903	175,746
Interest expense	8	(18,833)	(22,749)	(11,187)	(9,799)
Other income	9	16,885	20,231	73,937	1,387,585
Share of profit / (loss) in associates	18	5,337	(3,208)	4,822	(2,112)
Operating and administrative expenses *		(2,464,381)	(2,704,801)	(88,813)	(150,222)
Impairment of investment in subsidiaries	17	–	–	(91,382)	(3,363,747)
Impairment of investment in associates	18	(29,921)	(158,827)	(4,822)	(158,827)
Impairment of goodwill	21	–	(315,671)	–	–
Allowance for expected credit loss *	10	20,975	(757,581)	(31,944)	(457,748)
Foreign exchange gains / (losses)		27,400	45,124	(4,381)	9,102
Profit / (loss) before tax	10	**134,083**	**(1,454,493)**	**152,090**	**(2,506,163)**
Tax charge	11	(172,023)	(278,035)	(37,108)	(244,656)
(Loss) / profit for the year from continuing operations		**(37,940)**	**(1,732,528)**	**114,982**	**(2,750,819)**
Discontinued operations					
Loss for the year from discontinued operations	12	–	(126,682)	–	–
Net gain on disposal of discontinued operations after tax	12	–	2,242,028	–	1,971,011
(Loss) / profit for the year		**(37,940)**	**382,818**	**114,982**	**(779,808)**
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations		(4,458)	(25,718)	–	–
Total comprehensive (loss) / income for the year		**(42,398)**	**357,100**	**114,982**	**(779,808)**
(Loss) / profit attributable to:					
Shareholders of the holding company		(19,372)	469,258	114,982	(779,808)
Non-controlling interests		(18,568)	(86,440)	–	–
		(37,940)	**382,818**	**114,982**	**(779,808)**
Total comprehensive (loss) / income attributable to:					
Shareholders of the holding company		(26,988)	444,567	114,982	(779,808)
Non-controlling interests		(15,410)	(87,467)	–	–
		(42,398)	**357,100**	**114,982**	**(779,808)**
(Loss) / earnings per share					
From continuing operations					
Basic (KShs.)	14	(0.04)	(3.89)	0.27	(1.80)
Diluted (KShs.)	14	(0.04)	(3.89)	0.27	(1.80)
From continuing and discontinued operations					
Basic (KShs.)	14	(0.04)	1.09	0.27	(1.80)
Diluted (KShs.)	14	(0.04)	1.09	0.27	(1.80)

* In the prior year, the allowance for expected credit loss had been included in operating and administrative expenses. These have now been disclosed separately.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

All figures in KSh'000	Notes	CONSOLIDATED 31 December 2021	CONSOLIDATED 31 December 2020	COMPANY 31 December 2021	COMPANY 31 December 2020
ASSETS					
Non-current assets					
Equipment	15	151,858	166,881	56,720	78,982
Right-of-use assets	16	132,303	192,904	59,870	83,000
Investment in subsidiaries	17	–	–	1,488,051	1,579,433
Investments in associates and other equity investment	18	9,923	35,114	–	–
Long term loans to related companies	19	24,577	88,305	24,577	88,305
Deferred tax asset	20	502,778	488,681	86,872	62,797
Goodwill	21	23,367	23,367	–	–
		844,806	**995,252**	**1,716,090**	**1,892,517**
Current assets					
Trade and other receivables	22	3,291,057	2,890,187	429,278	582,932
Work-in-progress	23	21,079	12,218	–	–
Receivable from related parties	19	376,653	107,435	2,138,299	1,781,288
Tax recoverable	11.3	959,719	878,834	62,277	45,712
Cash, bank and deposits balances	24	3,951,469	3,857,957	2,904,163	2,700,376
		8,599,977	**7,746,631**	**5,534,017**	**5,110,308**
TOTAL ASSETS		**9,444,783**	**8,741,883**	**7,250,107**	**7,002,825**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	26	432,156	432,156	432,156	432,156
Share premium	27	4,436,532	9,155,166	4,436,532	9,155,166
Accumulated deficit		(784,130)	(4,026,144)	(261,938)	(3,545,449)
Merger reserve	28	1,457,248	–	1,550,105	–
Translation deficit		(343,015)	(335,399)	–	–
Equity attributable to shareholders of the holding company		5,198,791	5,225,779	6,156,855	6,041,873
Non-controlling interests		1,606	41,742	–	–
Total equity		**5,200,397**	**5,267,521**	**6,156,855**	**6,041,873**
Non-current liabilities					
Deferred tax liability	20	2,591	1,228	–	–
Lease liabilities	29	95,626	142,191	40,902	67,922
		98,217	**143,419**	**40,902**	**67,922**
Current liabilities					
Trade and other payables	30	3,686,310	2,869,115	630,260	542,218
Tax payable	11.3	151,008	135,560	–	–
Payable to related parties	19	194,968	178,750	328,493	245,688
Lease liabilities	29	47,052	65,173	26,766	22,779
Dividends payable	31	66,831	82,345	66,831	82,345
		4,146,169	**3,330,943**	**1,052,350**	**893,030**
TOTAL EQUITY AND LIABILITIES		**9,444,783**	**8,741,883**	**7,250,107**	**7,002,825**

The financial statements on pages 36 to 88 were approved and authorised for issue by the Board of Directors on 28 April 2022 and were signed on its behalf by:

Richard Omwela
Director

Patricia Ithau
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

All figures in KSh'000	Share capital	Share premium	Merger reserve	Accumulated deficit	Translation deficit	Attributable to share holders of the holding company	Non-controlling interests	Total
At 1 January 2020	432,156	9,155,166	–	(2,128,152)	(430,223)	7,028,947	163,625	7,192,572
Disposal of subsidiaries	–	–	–	1,209,513	–	1,209,513	–	1,209,513
Disposal of non-controlling interests	–	–	–	–	–	–	(16,646)	(16,646)
Exchange adjustment on disposal of discontinued operations	–	–		(119,515)	119,515	–	–	–
Profit for the year	–	–	–	469,258	–	469,258	(86,440)	382,818
Other comprehensive loss	–	–	–	–	(24,691)	(24,691)	(1,027)	(25,718)
Special interim dividend declared – 2020	–	–	–	(3,457,248)	–	(3,457,248)	(17,770)	(3,475,018)
At 31 December 2020	**432,156**	**9,155,166**	**–**	**(4,026,144)**	**(335,399)**	**5,225,779**	**41,742**	**5,267,521**
At 1 January 2021	432,156	9,155,166	–	(4,026,144)	(335,399)	5,225,779	41,742	5,267,521
Transfer to Merger Reserve	–	(4,718,634)	4,718,634	–	–	–	–	–
Loss for the year	–	–	–	(19,372)	–	(19,372)	(18,568)	(37,940)
Other comprehensive loss	–	–	–	–	(7,616)	(7,616)	3,158	(4,458)
Transfer from accumulated deficit to Merger Reserve	–	–	(3,261,386)	3,261,386	–	–	–	–
Dividend declared – 2021	–	–	–	–	–	–	(24,726)	(24,726)
At 31 December 2021	**432,156**	**4,436,532**	**1,457,248**	**(784,130)**	**(343,015)**	**5,198,791**	**1,606**	**5,200,397**

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

- Accumulated deficit represents accumulated profits or loss retained by the company after payment of dividend to the shareholders
- The translation deficit represents the cumulative position of translation gains or losses arising from conversion of net assets of foreign subsidiary companies to the reporting currency
- Merger reserve has been explained on note 28

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

All figures in KSh'000	Share capital	Share premium	Merger reserve	Accumulated deficit	Total
At 1 January 2020	432,156	9,155,166	–	691,607	10,278,929
Loss for the year	–	–	–	(779,808)	(779,808)
Special interim dividend declared – 2020	–	–	–	(3,457,248)	(3,457,248)
At 31 December 2020	**432,156**	**9,155,166**	**-**	**(3,545,449)**	**6,041,873**
At 1 January 2021	432,156	9,155,166	–	(3,545,449)	6,041,873
Transfer to Merger Reserve	–	(4,718,634)	4,718,634	–	–
Profit for the year	–	–	–	114,982	114,982
Transfer from accumulated deficit to Merger Reserve	–	–	(3,168,529)	3,168,529	–
At 31 December 2021	**432,156**	**4,436,532**	**1,550,105**	**(261,938)**	**6,156,855**

- Revenue reserve represent accumulated profits retained by the company after payment of dividend to the shareholders
- Merger reserve has been explained on note 28

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

		CONSOLIDATED		COMPANY	
All figures in KSh'000	**Notes**	**2021**	**2020**	**2021**	**2020**
Net cash generated from / (used in) operating activities	25	56,007	(246,832)	(26,288)	(993,973)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	15	(31,243)	(34,006)	(2,375)	(21,463)
Proceeds from sale of equipment		11,532	8,176	10,513	3,894
Fixed deposits (maturing after 3 months)	24	(657,407)	(1,916,726)	(589,459)	(1,916,726)
Dividend received		–	–	63,617	1,381,365
Disposals of subsidiaries		–	4,338,557	–	4,784,825
Interest income received net of tax		181,730	110,012	165,576	87,594
Net cash (used in) / generated from investing activities		**(495,388)**	**2,506,013**	**(352,128)**	**4,319,489**
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans repaid from a related company		61,332	9,017	61,332	9,017
Loans advanced to a related company		–	–	–	(56,702)
Dividends paid including tax on dividend		(45,988)	(3,431,246)	(15,514)	(3,407,619)
Repayment of lease liabilities	29	(78,165)	(82,986)	(29,099)	(33,321)
Interest paid		(5,260)	(351)	(5,121)	(291)
Net cash (used in) / generated from financing activities		**(68,081)**	**(3,505,566)**	**11,598**	**(3,488,916)**
Net decrease in cash and cash equivalents		**(507,462)**	**(1,246,385)**	**(366,818)**	**(163,400)**
MOVEMENT IN CASH AND CASH EQUIVALENTS					
At the beginning of the year		1,854,860	2,123,944	699,133	862,533
Cash and cash equivalents reclassified as held for sale		–	996,319	–	-
Net decrease during the year		(507,462)	(1,246,385)	(366,818)	(163,400)
Effect of fluctuations in exchange rates		(13,054)	(19,018)	–	-
Cash and cash equivalents at end of the year	24	**1,334,344**	**1,854,860**	**332,315**	**699,133**

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 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Kenyan Companies Act, 2015. For the purposes of the Kenyan Companies Act, 2015, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

2. BASIS OF PREPARATION

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated 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 2021. Control is achieved when the Company:

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

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

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

3. BASIS OF CONSOLIDATION (Continued)

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combinations and Goodwill (Continued)

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

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

4.2. Investments in associates

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

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

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

4.3. Revenue recognition

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

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

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

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

For our retainer arrangements, we have a stand ready obligation to perform services on an ongoing basis over the life of the contract. The scope of these arrangements are broad and generally are not reconcilable to another input or output criteria. In these instances, revenue is recognised using a time-based method resulting in straight-line revenue recognition. The Company is and acts as a principal as it controls the specified good or service prior to transfer. When the Company acts as a principal (such as in-house production services, events,

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Revenue recognition (Continued)

data investment management and branding), the revenue recorded is the gross amount billed. Revenues related to out-of-pocket costs such as travel are also recognised at the gross amount billed with a corresponding amount recorded as an expense.

Further details on revenue recognition are detailed by sector below:

Advertising and media investment management

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

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

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

Data investment management

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

While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. When the terms of the transaction provide for licensing the right to access a product on a subscription basis, revenue is recognised over the subscription period, typically on a straight-line basis.

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

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

Dividend and interest income

Dividend income from investments is recognised when the group's right to receive payment as a shareholder has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable obligation.

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Equipment (Continued)

4.5.1 Recognition and measurement (Continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Taxation (continued)

4.6.2 Deferred tax (continued)

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 as a lessee

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

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

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

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

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

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

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

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Leases (continued)

The Group as a lessee (continued)

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

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

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

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

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

4.8. Foreign currencies

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

4.8.1 Transactions and balances

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

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

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

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

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

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

4.8.2 Group companies

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Foreign currencies (continued)

4.8.2 Group companies (continued)

exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4.9. Financial instruments

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

Financial assets

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

(i) De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

(ii) Offsetting of financial assets and liabilities

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

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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Impairment (continued)

(i) *Financial assets (continued)*

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 380 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.

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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Employee benefits (continued)

4.12.1 Retirement benefits costs and termination benefits (continued)

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 offset against the pre-payments.

4.14. Non-current assets held for sale

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

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

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

4.15. Segmental reporting

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and amended IFRS Standards that are effective for the current year

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

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

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

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

The Group adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

In the current financial year, the Group has not been impacted by the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date.

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.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Annual Improvements to IFRS Standards 2018 – 2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

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

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

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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:

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

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

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

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework (Continued)

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

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

Annual Improvements to IFRS Standards 2018–2020—Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Annual Improvements include amendments to four Standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

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

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

***Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates* (continued)**

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4–5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Early adoption of standards

The Group did not early-adopt any new or amended standards in 2021.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Recoverability of deferred tax

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

Investment in subsidiaries

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

Property, plant and equipment and intangible assets

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment and intangible assets based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Expected Credit Loss

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

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

7. REVENUE

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

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	**2020**	**2021**	**2020**
Kenya (including export sales)	5,028,433	4,468,537	1,256,664	1,106,744
Rest of Africa				
Uganda	743,578	367,378	–	–
Tanzania	638,053	383,045	–	–
South Africa	122,574	146,418	–	–
Ghana	386,910	573,048	–	–
Nigeria	153,136	120,661	–	–
Others	523,480	282,058	–	–
	7,596,164	**6,341,145**	**1,256,664**	**1,106,744**

8. INTEREST INCOME AND INTEREST EXPENSE

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
Interest income				
Interest on deposits	221,528	192,573	201,076	155,599
Interest on related party loan	2,852	11,341	2,827	20,073
Other interest	–	96	–	74
	224,380	**204,010**	**203,903**	**175,746**
Interest expense				
Interest expense on bank overdraft	5,260	351	5,121	291
Interest on lease liabilities	13,573	22,398	6,066	9,508
	18,833	**22,749**	**11,187**	**9,799**

9. OTHER INCOME

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Gain on modification of lease	–	6,970	–	3,311
Profit on disposal of assets	5,858	–	3,048	–
Bad debt written off recovered	–	1,918	–	–
Cash discount	3,748	6,038	890	1,811
Dividend income from subsidiaries	–	–	63,617	1,381,365
Miscellaneous income	7,279	5,305	6,382	1,098
	16,885	**20,231**	**73,937**	**1,387,585**

10. Profit /(Loss) before tax

The profit / (loss) before tax is arrived at after charging:	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Staff costs				
– Salaries and wages	1,504,689	1,890,524	250,412	456,268
– Social security	65,615	70,203	7,443	10,025
– Medical expenses	75,498	65,808	22,186	20,056
– Leave pay	10,962	11,770	1,864	(855)
– Other staff costs	370,299	321,278	58,431	13,209
	2,027,063	**2,359,583**	**340,336**	**498,703**
Depreciation	41,444	66,168	17,172	23,926
Depreciation of right-of-use assets	60,395	71,445	23,130	26,504
Allowance for expected credit loss*	(20,975)	757,581	31,944	457,748
Auditors' remuneration	34,466	21,464	14,585	2,585
Other costs and losses**	–	4,804	–	–
Directors' remuneration				
non-executive directors' fees	2,200	8,208	2,200	2,724
non- executive directors' emoluments	11,760	10,780	4,050	10,780
executive directors' emoluments	41,506	117,247	41,506	117,247

*Allowance for expected credit loss (ECL) includes reversal of provision for trade receivables of KShs. 75,437,000 (2020: provision of KShs. 450,701,000), provision for bank balances and short term deposits with banks of KShs. 54,462,000 (2020: nil) and provision for doubtful loan receivable from related parties of KShs. nil (2020: KShs. 306,880,000).

**Costs incurred and accounted for as part of operating and administrative expenses in prior year but lacking adequate supporting documentation to justify them as business expenses.

Prior period restatement has been made in relation to operating and administrative expenses for the year ended 31 December 2020.

All figures in KSh'000	As previously reported 31 December 2020	Restatement*	Restated 31 December 2020
Group			
Operating and administrative expenses	(3,462,382)	(757,581)	(2,704,801)
* The prior year restatement relates to the allowance for expected credit loss.			
Company			
Operating and administrative expenses	(607,970)	(457,748)	(150,222)

* The prior year restatement relates to the allowance for expected credit loss.

In the prior year the allowance for expected credit loss had been included in operating and administrative expenses. The financial statements for the year ended 31 December 2020 have been restated to disclose this separately.

11. Taxation

11.1. Tax charge

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Current taxation based on the adjusted profit				
For companies at 30% (company 25%) (2020: 30%)	132,831	58,366	61,185	43,937
For companies charged at different rates	54,293	72,155	–	–
Prior year over provision	(2,098)	(7,441)	(2)	–
	185,026	**123,080**	**61,183**	**43,937**
Deferred tax				
- current year (credit) / charge (Note 20)	(9,064)	(283,930)	11,003	(4,154)
Deferred tax on tax losses derecognised	40,775	452,393	–	204,873
Recognition of deferred tax asset on losses previously derecognised	(43,380)	–	(35,078)	–
- prior year (over) / under provision	(1,334)	(13,508)	–	–
	(13,003)	**154,955**	**(24,075)**	**200,719**
	172,023	**278,035**	**37,108**	**244,656**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

11. Taxation (continued)

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

All figures in KSh'000	CONSOLIDATED 2021	CONSOLIDATED 2020	COMPANY 2021	COMPANY 2020
Accounting profit / (loss) before taxation (for continuing operations)	134,083	(1,454,493)	152,090	(2,506,163)
Tax at the applicable rate of 30% (company 30%) (2020: 25%)	40,225	(436,348)	45,627	(626,541)
Effect of expenses not deductible for tax purposes	158,893	383,296	45,646	1,080,734
Effect of companies charged at different rates	(26,806)	(106,214)	–	–
Effect of income not taxable	–	–	(19,085)	(414,410)
Deferred tax on tax losses derecognised	40,775	452,393	–	204,873
Recognition of deferred tax asset on losses previously derecognised	(43,380)	–	(35,078)	–
Tax paid on intercompany dividend income	5,748	5,857	–	–
Prior years over provision-deferred tax	(1,334)	(13,508)	–	–
Prior years over provision-income tax	(2,098)	(7,441)	(2)	–
	172,023	**278,035**	**37,108**	**244,656**

11.3. Movement in net of tax recoverable and tax payable

All figures in KSh'000	CONSOLIDATED 2021	CONSOLIDATED 2020	COMPANY 2021	COMPANY 2020
At beginning of year	743,274	647,642	45,712	50,516
Tax paid	241,731	320,473	77,748	59,664
Charge for the year on continuing operations	(185,026)	(123,080)	(61,183)	(43,937)
Tax on capital gain on discontinued operations	–	(51,349)	–	(20,531)
Tax on discontinued operations	–	(40,379)	–	–
Effect of exchange rate difference	8,732	(10,033)	–	–
At the end of the year	**808,711**	**743,274**	**62,277**	**45,712**
Breakup of net tax recoverable				
Tax recoverable	959,719	878,834	62,277	45,712
Tax payable	(151,008)	(135,560)	–	–
	808,711	**743,274**	**62,277**	**45,712**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

12. DISCONTINUED OPERATIONS

The Group completed the sale of its interest in Millward Brown East Africa Limited, Millward Brown Nigeria Limited, Millward Brown West Africa Limited and Research & Marketing Group Investment Limited (Kantar operations) on 30 June 2020, whose results have been included as part of discontinued operations. The results of discontinued operations, which have been included in the prior year profit, are as follows:

All figures in KSh'000	**2020**
Revenue	1,035,123
Direct costs	(437,822)
Gross profit	**597,301**
Interest expense	(6,467)
Other income	10,737
Operating and administrative expenses	(740,509)
Foreign exchange gain	52,635
(Loss) / profit before tax	**(86,303)**
Tax charge	(40,379)
(Loss) / profit for the year	**(126,682)**
(Loss) / profit attributable to:	
Shareholders of the holding company	(93,420)
Non-controlling interests	(33,262)

12. DISCONTINUED OPERATIONS (Continued)

In 2020, Kantar operations contributed KShs. 305m to the Group's net operating cash flows, paid KShs. 34m in respect of investing activities and paid KShs. 22m in respect of financing activities. The net assets of Kantar operations at the date of disposal (30 June 2020) were as follows:

Group

All figures in KShs.'000	**30 June 2020**
Equipment	173,809
Right-of-use assets	11,382
Attributable goodwill	1,251,875
Deferred tax asset	153,888
Trade and other receivables	820,826
Receivable from related parties	592,053
Tax recoverable	193,734
Cash, bank and deposit balances	1,254,823
Deferred tax liability	(7,387)
Lease liabilities	(15,857)
Loan payable to a related party	(525,097)
Trade and other payables	(1,202,306)
Tax payable	(1,354)
Payable to related parties	(541,904)
Net assets	**2,158,485**

Company

All figures in KSh'000	**30 June 2020**
Investment in subsidiaries	2,813,814

A net gain after capital gain tax of KShs. 2,242m (gain before capital gain tax KShs. 2,293m) arose on the disposal of Kantar operations in 2020, being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets and attributable goodwill.

All figures in KSh'000	**Group**	**Company**
Net assets	2,158,485	2,813,814
Less: Share of non-controlling interests in net assets	(16,646)	–
Net assets disposed off	**2,141,839**	**2,813,814**
Reversal of goodwill not recognised at acquisition of subsidiaries under common control	1,209,513	–
Net Gain on Disposal of discontinued operations after Capital gain tax	2,242,028	1,971,011
Attributable transaction costs	34,475	32,614
Capital gain tax	51,349	20,531
Total consideration	**5,679,204**	**4,837,970**
Satisfied by:		
Cash and cash equivalents	5,679,204	4,837,970
Net inflow arising on disposal:		
Consideration received in cash and cash equivalents	5,679,204	4,837,970
Less: cash and cash equivalents disposed off	(1,254,823)	–
Less: Attributable transaction costs	(34,475)	(32,614)
Less: Capital gain tax	(51,349)	(20,531)
	4,338,557	**4,784,825**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

13. SEGMENTAL REPORTING

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

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

The market research operation was discontinued in the previous year. The segment information (segment revenues and profits) reported below does not include any amounts for these discontinued operations, which are described in more detail in note 12.

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2021:

All figures in KSh'000

	Continuing operations										
Income statement	**Segment revenue**	**Segment Operating (loss) / profit**	**Share of (loss) / profit of associates**	**Interest income**	**Interest expense**	**Other gain and losses**	**(Loss) / profit before tax**	**Tax charge**	**(Loss) / profit after tax from discontinued operations**	**Net gain on disposal of discontinued operations**	**(Loss) / profit after tax and discontinued operations**
2021											
Kenya	5,028,435	(221,907)	4,822	204,350	(16,549)	(1,779)	(14,514)	(76,932)	–	–	(91,446)
Rest of Africa	2,567,729	110,051	515	20,030	(2,284)	18,001	148,597	(95,091)	–	–	53,506
	7,596,164	**(111,856)**	**5,337**	**224,380**	**(18,833)**	**16,222**	**134,083**	**(172,023)**	**–**	**–**	**(37,940)**
2020											
Kenya	4,468,538	(1,239,013)	(2,112)	172,573	(19,315)	55,983	(1,031,884)	(108,090)	(63,297)	1,971,011	767,740
Rest of Africa	1,872,607	15,610	(1,096)	31,437	(3,434)	(465,126)	(422,609)	(169,945)	(63,385)	271,017	(384,922)
	6,341,145	**(1,223,403)**	**(3,208)**	**204,010**	**(22,749)**	**(409,143)**	**(1,454,493)**	**(278,035)**	**(126,682)**	**2,242,028**	**382,818**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

All figures in KSh'000

Segment assets	**2021**	**2020**
Kenya	6,542,346	6,213,563
Rest of Africa	2,902,437	2,209,863
	9,444,783	**8,423,426**

Other segment information	**Depreciation and amortisation**		**Additions to non-current assets**	
	2021	**2020**	**2021**	**2020**
Kenya	68,777	90,109	21,132	24,783
Rest of Africa	33,062	47,504	10,111	15,585
	101,839	**137,613**	**31,243**	**40,368**

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

14. (LOSS) / EARNINGS PER SHARE

14.1. Basic (loss) / earnings per share

Basic (loss) / 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**	
	2021	**2020**	**2021**	**2020**
From continuing and discontinued operations				
(Loss) / profit attributable to shareholders of the holding company (KSh'000)	(19,372)	469,258	114,982	(779,808)
Weighted average number of shares (in thousands)	432,156	432,156	432,156	432,156
Basic (loss) / earnings per share (KShs.)	(0.04)	1.09	0.27	(1.80)
From continuing operations				
(Loss) / profit attributable to shareholders of the holding company (KSh'000)	(19,372)	(1,679,350)	114,982	(779,808)
Weighted average number of shares (in thousands)	432,156	432,156	432,156	432,156
Basic (loss) / earnings per share (KShs.)	(0.04)	(3.89)	0.27	(1.80)
From discontinued operations				
Profit attributable to shareholders of the holding company (KSh'000)	–	2,148,608	–	1,971,011
Weighted average number of shares (in thousands)	432,156	432,156	432,156	432,156
Basic earnings per share (KShs.)	–	4.97	–	4.56

14.2. Diluted earnings / (loss) per share

Diluted earnings / (loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2021 and 31 December 2020 no such instruments were outstanding. Hence diluted earnings / (loss) per share is same as basic earnings / (loss) per share presented in Note 14.1.

15. EQUIPMENT

15.1. Equipment – Group

All figures in KSh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2020	551,251	67,863	359,190	978,304
Additions	32,255	1,085	666	34,006
Disposals	(80)	(11,280)	(19,169)	(30,529)
Exchange rate adjustment *	2,837	456	4,019	7,312
At 31 December 2020	**586,263**	**58,124**	**344,706**	**989,093**
At 1 January 2021	586,263	58,124	344,706	989,093
Additions	23,473	4,585	3,185	31,243
Disposals	(841)	(37,816)	(2,161)	(40,818)
Exchange rate adjustment *	1,710	14	2,502	4,226
At 31 December 2021	**610,605**	**24,907**	**348,232**	**983,744**
DEPRECIATION				
At 1 January 2020	488,713	45,765	234,282	768,760
Charge for the year	29,911	6,511	29,746	66,168
Elimination on disposals	(33)	(8,630)	(10,405)	(19,068)
Exchange rate adjustment *	2,893	297	3,162	6,352
At 31 December 2020	**521,484**	**43,943**	**256,785**	**822,212**
At 1 January 2021	521,484	43,943	256,785	822,212
Charge for the year	23,599	2,394	15,451	41,444
Elimination on disposals	(828)	(33,556)	(814)	(35,198)
Exchange rate adjustment *	1,589	26	1,813	3,428
At 31 December 2021	**545,844**	**12,807**	**273,235**	**831,886**
NET BOOK VALUE				
At 31 December 2021	**64,761**	**12,100**	**74,997**	**151,858**
At 31 December 2020	**64,779**	**14,181**	**87,921**	**166,881**

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

At 31 December 2021, equipment with a cost of KShs. 294,380,000 (2020 – KShs. 225,432,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been KShs. 73,889,000 (2020 – KShs. 52,240,000).

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

15. EQUIPMENT

15.2. Equipment – Company

All figures in KSh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2020	305,145	44,761	83,747	433,653
Additions	20,277	1,085	101	21,463
Disposals	–	(7,090)	(6,911)	(14,001)
At 31 December 2020	**325,422**	**38,756**	**76,937**	**441,115**
At 1 January 2021	325,422	38,756	76,937	441,115
Additions	1,189	1,085	101	2,375
Disposals	(348)	(29,155)	(1,984)	(31,487)
At 31 December 2021	**326,263**	**10,686**	**75,054**	**412,003**
DEPRECIATION				
At 1 January 2020	271,911	28,218	46,088	346,217
Charge for the year	15,026	4,196	4,704	23,926
Elimination on disposals	(24)	(5,096)	(2,890)	(8,010)
At 31 December 2020	**286,913**	**27,318**	**47,902**	**362,133**
At 1 January 2021	286,913	27,318	47,902	362,133
Charge for the year	11,754	1,931	3,487	17,172
Elimination on disposals	(228)	(22,981)	(813)	(24,022)
At 31 December 2021	**298,439**	**6,268**	**50,576**	**355,283**
NET BOOK VALUE				
At 31 December 2021	**27,824**	**4,418**	**24,478**	**56,720**
At 31 December 2020	**38,509**	**11,438**	**29,035**	**78,982**

At 31 December 2021, equipment with a cost of KShs. 111,514,000 (2020 – KShs. 49,871,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been KShs. 32,793,000 (2020 – KShs. 14,300,000).

16. RIGHT-OF-USE ASSETS

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

All figures in KSh'000	Buildings			
	CONSOLIDATED		COMPANY	
COST	**2021**	**2020**	**2021**	**2020**
At 1 January	361,243	401,787	153,392	170,734
Additions/lease asset recognized	–	6,362	–	–
Modification of lease during the year *	–	(50,842)	–	(17,342)
Exchange rate adjustment **	1,203	3,936	–	–
At 31 December	**362,446**	**361,243**	**153,392**	**153,392**
DEPRECIATION				
At 1 January	168,339	94,346	70,392	43,888
Charge for the year	60,395	71,445	23,130	26,504
Exchange rate adjustment **	1,409	2,548	–	–
At 31 December	**230,143**	**168,339**	**93,522**	**70,392**
NET BOOK VALUE				
At 31 December	**132,303**	**192,904**	**59,870**	**83,000**

* Modification in lease has arisen due to early termination of right to use and reduction in lease consideration that was not part of the original terms and conditions of the lease.

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

17. INVESTMENT IN SUBSIDIARIES

	2021		2020	
	%	KSh'000	%	KSh'000
Ogilvy Kenya Limited	100%	313,534	100%	313,534
Ogilvy Africa Limited	100%	540,160	100%	540,160
O&M Africa B.V.	100%	309,370	100%	309,370
Scangroup Mauritius Holding Limited	100%	209,934	100%	209,934
Hill & Knowlton East Africa Limited	100%	82,013	100%	108,845
GroupM Africa Limited	100%	–	100%	64,550
Scanad Africa Limited	100%	15,000	100%	15,000
J.Walter Thompson Kenya Limited	90%	18,000	90%	18,000
Grey East Africa Limited	100%	40	100%	40
		1,488,051		**1,579,433**

Movement in investment in subsidiaries

All figures in KSh'000	2021	2020
At the beginning of year	1,579,433	4,943,180
Impaired during the year	(91,382)	(3,363,747)
At the end of the year	**1,488,051**	**1,579,433**

17. INVESTMENT IN SUBSIDIARIES (Continued)

During 2021, the Company carried out a detailed review of the carrying value of investment in subsidiaries. As a result of uncertainty regarding the future profitability and future net cash flows resulting from a deterioration in the economic outlook during 2021 for some of the Company's subsidiaries, mainly resulting from economic environment, the Company determined that an impairment provision was required. Accordingly, impairment provisions totalling KShs. 91m were made during the financial year. A reasonably possible change in assumptions would not lead to a significant impairment.

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

In developing the cash flows, we considered the impact of the economic environment to our businesses and adjusted projected revenue less pass-through costs and operating margins in 2021 and/or 2022 accordingly. For the remaining years in the projection period, we assessed when the cash flows would recover to 2019 levels as representative of pre-Covid-19 revenue less pass-through costs and operating margins. For many of our subsidiaries, recovery to 2019 levels by 2023 was estimated with some subsidiaries using alternative recovery profiles as considered appropriate.

The long-term growth rate is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports and other relevant market trends. As at 31 December 2021, we have assessed long-term industry trends based on recent historical data and assumed a long-term growth rate of 5.7%. Management has made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

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%

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

17. INVESTMENT IN SUBSIDIARIES (Continued)

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

	Shareholding %
Hill & Knowlton Strategies Nigeria Limited	100%
Hill & Knowlton Strategies Uganda Limited	100%
Scanad Rwanda Limited	100%
JWT Uganda Limited	100%
Scangroup (Malawi) Limited	100%
Scangroup (Zambia) Limited	100%
Scangroup Mozambique Limitada	100%
Scanad Nigeria Limited	100%
Ogilvy Ghana Limited	82%
Scanad Ghana Limited	82%
Squad Digital Nigeria Limited	75%
STE Scanad DRC	100%
Scanad Burundi Limited SPRL	100%

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

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

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

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

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

17. INVESTMENT IN SUBSIDIARIES (Continued)

Summarised financial information on subsidiaries with material non-controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

All figures in KSh'000	Squad Digital Limited		J W Thompson Kenya Limited	
	2021	**2020**	**2021**	**2020**
As at 31 December				
Assets	249,462	907,487	246,382	490,210
Liabilities	537,467	847,332	56,792	304,795
Equity attributable to the owners of the company	(217,444)	45,417	170,631	166,874
Non-controlling interest	24.5%	24.5%	10%	10%
Revenue	316,723	582,796	157,255	226,634
Expenses	(464,562)	(667,141)	(138,182)	(202,031)
(loss) / profit before tax for the year	**(147,839)**	**(84,345)**	**19,073**	**24,603**
(Loss) / profit attributable to the owners of the company	(108,157)	(43,913)	11,718	15,022
(Loss) / profit attributable to non-controlling interest	(35,097)	(14,250)	1,302	1,669
(Loss) / profit after tax for the year	**(143,254)**	**(58,163)**	**13,020**	**16,691**
Net cash (outflow) / inflow from operating activities	(12,854)	8,659	6,271	17,238
Net cash (outflow) / inflow from investing activities	(2,452)	(4,037)	150	261
Net cash outflow from financing activities	(2)	(5)	–	(2)
Net cash (outflow) / inflow	**(15,308)**	**4,617**	**6,421**	**17,497**

18. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS

18.1. Investments in Associates

At 31 December 2021 WPP Scangroup PLC or O&M Africa B.V., a 100% subsidiary of WPP Scangroup PLC, owned shares in following companies that are accounted for as affiliates:

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

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

18. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS (Continued)

18.1 Investments in Associates (Continued)

The movement in investment in associate companies is as follows:

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
At the beginning of year	35,114	196,371	–	160,939
Share of profit / (loss) in associates	5,337	(3,208)	4,822	(2,112)
Impairment of investment in associates	(29,921)	(158,827)	(4,822)	(158,827)
Exchange rate adjustment	(607)	778	–	–
At the end of the year	**9,923**	**35,114**	**–**	**–**

The impairment of investment in associates relates to Ogilvy and Mather Advertising Namibia (Pty) Ltd of KShs. 25,099,000 (2020: nil), and First Primus West Africa Limited of KShs. 4,822,000 (2020: KShs. 158,827,000). Due to uncertainty regarding the future profitability and future net cash flows resulting from a deterioration in the economic outlook, the Company determined that an impairment provision of KShs. 29,921,000 be made during the year. The balance at the end of the year of KShs. 9,923,000 relates to Ogilvy and Mather Advertising Namibia (Pty) Ltd.

18.2. Other Equity Investments

Ogilvy Africa B.V. also owns shares in the following companies:

Associate Companies	Country	% shares
Ocean Ogilvy Gabon	Gabon	25.0%
Ocean Central Africa	Cameroon	25.0%
Ocean Burkina Faso	Burkina Faso	25.0%
Ocean Afrique Occidentale	Senegal	25.0%
Ocean Conseil	Cote d'Ivoire	25.0%

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

19. RELATED PARTIES

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

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020 restated **	2021	2020 restated **
Balances recoverable from related parties				
Due after one year				
Loans recoverable from various related companies *	24,577	88,305	24,577	88,305
Recoverable from affiliates of Joint Venture	–	–	–	–
	24,577	**88,305**	**24,577**	**88,305**
Due within one year				
Current receivables from various subsidiaries **	–	–	2,138,299	1,781,288
Current receivables from fellow subsidiaries	376,653	107,435	–	–
	376,653	**107,435**	**2,138,299**	**1,781,288**
Balances payable to related parties				
Various subsidiaries	–	–	328,493	245,688
Current payables to fellow subsidiaries	194,968	178,750	–	–
Transactions with related parties				
Sale of services	514,222	274,547	762,749	732,262
Purchase of services ***	104,058	25,994	326,714	124,381
Interest on related party loan	2,852	11,341	2,827	20,073
Remuneration of directors and key management compensation	55,466	136,235	47,756	130,751
Directors' remuneration – Executive directors' emoluments (included in key management compensation above)	41,506	117,247	41,506	117,247

* The long term loan recoverable is from First Primus West Africa Limited of KShs. 24.5million for both Group and company. It is denominated in Nigeria Naira (NGN) and the equivalent amount at the end of the year 2021 is of NGN 92.27million. It is secured by first priority floating charge over the borrower's properties and attracts interest at 9% per annum.

** During the year the company advanced a short term loan of KShs. 39m to a related company which was fully written off in the year.

*** In prior year an amount of KShs. 14,674,480 was erroneously included in purchases from related parties for both Group and company. These have been now restated.

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

All figures in KSh'000	CONSOLIDATED 2021	CONSOLIDATED 2020	COMPANY 2021	COMPANY 2020
At the beginning of year	88,305	409,644	88,305	495,251
Loans repaid	(61,332)	(9,017)	(61,332)	(9,017)
Loans advanced	–	–	–	56,702
Provision for bad and doubtful loan	–	(306,880)	–	(457,390)
Exchange rate adjustment	(2,396)	(5,442)	(2,396)	2,759
At the end of the year	**24,577**	**88,305**	**24,577**	**88,305**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

20. DEFERRED TAX

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

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Excess depreciation / (accelerated capital allowances)	11,973	7,178	5,691	(1,088)
Unrealised exchange gains	(5,234)	(9,697)	(2,461)	(4,113)
Tax losses carried forward	152,704	599,659	23,903	254,617
Provisions	338,139	342,706	24,661	18,254
Deferred tax on tax losses derecognised	(40,775)	(452,393)	–	(204,873)
Recognition of deferred tax asset on losses previously derecognised	43,380	–	35,078	–
	500,187	**487,453**	**86,872**	**62,797**
Movement in deferred tax account is as follows				
At beginning of period	487,453	631,358	62,797	263,516
Credit / (charge) for the year	9,064	283,930	(11,003)	4,154
Deferred tax on tax losses derecognised	(40,775)	(452,393)	–	(204,873)
Recognition of deferred tax asset on losses previously derecognised	43,380	–	35,078	–
Prior year under provision	1,334	13,508	–	–
Effect of exchange rates	(269)	11,050	–	–
At end of period	**500,187**	**487,453**	**86,872**	**62,797**
Breakup of deferred tax asset and liability				
Deferred tax asset	502,778	488,681	86,872	62,797
Deferred tax liability	(2,591)	(1,228)	–	–
	500,187	**487,453**	**86,872**	**62,797**

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

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

- the future earnings potential determined through the use of internal forecasts;
- the cumulative losses in recent years;
- the various jurisdictions in which the potential deferred tax assets arise;
- the history of losses carried forward and other tax assets expiring;
- the timing of future reversal of taxable temporary differences;
- the expiry period associated with the deferred tax assets; and
- the nature of the income that can be used to realise the deferred tax asset.

20. DEFERRED TAX (Continued)

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

A deferred taxation asset has been recognized on accumulated tax losses of KShs. 517,862,000 (2020: KShs. 493,700,000) for the Group and KShs. 196,603,000 (2020: KShs. 165,812,000) for the company. Tax losses of KShs. 465,068,000 million can be carried forward up to 10 years and the balance is held in jurisdiction where these can be carried forward indefinitely.

21. 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	2021	2020
Cost and carrying value as at the end of		
Hill+Knowlton Strategies (South Africa) Pty Ltd	23,367	23,367
Total	**23,367**	**23,367**

During the year no impairment loss has been recognised (KShs. 315,671,000 impaired in 2020) in the group's financial statements. A reasonably possible change in assumptions would not lead to a significant impairment. The carrying value of goodwill will continue to be reviewed at least annually for impairment and adjusted to the recoverable amount if required.

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

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

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

The long-term growth rate is derived from management's best estimate of the likely long-term trading performance with reference to external industry reports and other relevant market trends. As at 31 December 2021, we have assessed long-term industry trends based on recent historical data and assumed a long-term growth rate of 5.7%. Management has made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

21. GOODWILL (Continued)

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.

22. TRADE AND OTHER RECEIVABLES

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
Trade receivables	3,134,712	2,857,548	413,674	538,385
Less: Allowance for expected credit loss	(953,303)	(1,032,730)	(4,489)	(1,005)
	2,181,409	**1,824,818**	**409,185**	**537,380**
Value Added Tax recoverable	1,030,551	975,053	–	23,323
Staff recoverable	957	422	–	-
Other receivables and pre-payments	78,140	89,894	20,093	22,229
	3,291,057	**2,890,187**	**429,278**	**582,932**
Movement in allowance for expected credit loss				
Balance at the beginning of the year	1,032,730	568,439	1,005	647
Provision for bad debts for the year	50,619	474,627	3,484	358
Amounts written off during the year as uncollectible	–	(8,242)	–	-
Reversal of provision for bad debts	(126,056)	(23,926)	–	-
Effect of exchange rate movements	(3,990)	21,832	–	-
Balance at the end of the year	**953,303**	**1,032,730**	**4,489**	**1,005**

In prior year provision for bad debts of KShs. 475million include a provision of KShs. 329million relating to an overdue amount from a parastatal client.

23. WORK-IN-PROGRESS

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
Work-in-progress	**21,079**	**12,218**	**-**	**-**

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

24. CASH, BANK AND DEPOSIT BALANCES

All figures in KSh'000	CONSOLIDATED 2021	CONSOLIDATED 2020	COMPANY 2021	COMPANY 2020
Cash in hand	416	587	413	585
Bank balances	972,971	738,445	116,292	103,558
Short term deposits				
– Fixed deposits with banks	284,199	738,555	200,000	587,925
– Call deposits with banks	76,758	377,273	15,610	7,065
Cash and cash equivalents	**1,334,344**	**1,854,860**	**332,315**	**699,133**
Fixed deposits with bank (maturing after 3 months)	2,574,133	1,916,726	2,506,185	1,916,726
Accrued interest on fixed deposits	97,454	86,371	94,123	84,517
	4,005,931	**3,857,957**	**2,932,623**	**2,700,376**
Less: Allowance for expected credit loss	(54,462)	–	(28,460)	–
	3,951,469	**3,857,957**	**2,904,163**	**2,700,376**

The effective interest on the fixed deposits for the year ended 31 December 2021 was 7.88% (2020: 7.99%) while the effective interest rate on the call deposits was 4% (2020: 7.03%).

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

	2021 Amounts equivalent to KSh'000			2020 Amounts equivalent to KSh'000		
Currency	**Fixed deposits**	**Call deposits**	**Total**	**Fixed deposits**	**Call deposits**	**Total**
Kenya Shilling	2,355,648	15,610	2,371,258	2,387,880	7,065	2,394,945
United States Dollar	349,336	–	349,336	116,771	–	116,771
Ghanaian Cedi	–	–	–	74,400	–	74,400
South African Rand	–	61,148	61,148	–	370,208	370,208
Malawian Kwacha	5,070	–	5,070	1,565	–	1,565
Zambia Kwacha	95,127	–	95,127	30,946	–	30,946
Mozambique Meticals	53,151	–	53,151	43,719	–	43,719
	2,858,332	**76,758**	**2,935,090**	**2,655,281**	**377,273**	**3,032,554**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

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

		CONSOLIDATED		COMPANY	
All figures in KSh'000	**Notes**	**2021**	**2020**	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss) / profit for the year		(37,940)	382,818	114,982	(779,808)
Depreciation on equipment	15	41,444	106,794	17,172	23,926
Depreciation of Right-of-use assets	16	60,395	95,833	23,130	26,504
Allowance for expected credit loss	10	(20,975)	453,421	31,944	358
Provision of bad and doubtful loan receivables from related company		–	306,880	–	457,390
Interest expense	8	5,260	351	5,121	291
Tax charge		172,023	369,763	37,108	244,656
Interest on lease liabilities		13,573	22,398	6,066	9,508
Impairment of investment in subsidiaries		–	–	91,382	3,363,747
Impairment of investment in associates		29,921	158,827	4,822	158,827
Share of profit / (loss) in associates		(5,337)	1,097	(4,822)	2,112
Impairment of goodwill		–	315,671	–	–
Net exchange loss on long term loan to related companies		2,396	5,442	2,396	(2,759)
Net (gain) / loss on sale of assets		(5,858)	3,285	(3,048)	2,097
Interest income	8	(224,380)	(204,010)	(203,903)	(175,746)
Gain on modification of lease		–	(6,970)	–	(3,311)
Net gain on disposal of discontinued operations after capital gain tax		–	(2,242,028)	–	(1,971,011)
Dividend income	9	–	–	(63,617)	(1,381,365)
Working capital adjustments:					
(Increase) / decrease in trade and other receivables		(325,433)	277,977	150,170	(126,349)
(Increase) / decrease in work-in-progress		(8,861)	(1,787)	–	801
Increase / (decrease) in trade and other payables		817,195	(165,798)	88,042	8,287
Movement in related party balances		(253,000)	119,075	(274,206)	(824,898)
Cash generated from / (used in) operating activities after working capital changes		260,423	(961)	22,739	(966,743)
Tax paid on operating income		(204,416)	(245,871)	(49,027)	(27,230)
Net cash generated from / (used in) operating activities		**56,007**	**(246,832)**	**(26,288)**	**(993,973)**

26. SHARE CAPITAL

All figures in KSh'000	**2021**	**2020**
Ordinary shares 500,000,000 (2020: 500,000,000) of KSh. 1 each	500,000	500,000
Issued and fully paid up shares		
Ordinary shares 432,155,985 (2020: 432,155,985) of KSh. 1 each	**432,156**	**432,156**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

27. SHARE PREMIUM

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
At the beginning of year	9,155,166	9,155,166	9,155,166	9,155,166
Transfer to merger reserve	(4,718,634)	–	(4,718,634)	–
At the end of the year	**4,436,532**	**9,155,166**	**4,436,532**	**9,155,166**

During the year under review, an amount of KShs. 4,718,634,333 has been transferred from the Share Premium account to a Merger Reserve. Refer to Note 28 below.

28. MERGER RESERVE

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
Transfer from share premium	4,718,634	–	4,718,634	–
Transfer from Revenue Reserve to Merger Reserve	(3,261,386)	–	(3,168,529)	–
	1,457,248	**-**	**1,550,105**	**-**

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

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

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

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

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

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

28 MERGER RESERVE (Continued)

(i) The transfer from Revenue Reserve relates to:

(a) On Consolidated:

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

(b) On the Company:

Following a review of the carrying value of investments in subsidiaries, the Company has made a total impairment provision of KShs. 3,168,529,000 in respect of subsidiaries which has been charged to profit and loss account of the Company (2021: KShs. 26,832,000 and 2020: KShs. 3,141,697,000). The total amount has subsequently been appropriated to Merger Reserve.

29. LEASE LIABILITES

	Buildings			
	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Analysed as:				
Non – Current	95,626	142,191	40,902	67,922
Current	47,052	65,173	26,766	22,779
At 31 December	**142,678**	**207,364**	**67,668**	**90,701**
The movement in the lease liabilities is as follows:				
At 1 January as previously reported	207,364	316,771	90,701	135,167
Addition	–	6,334	–	–
Payment of lease liabilities	(78,165)	(82,986)	(29,099)	(33,321)
Interest on lease liabilities	13,573	22,398	6,066	9,508
Modification of lease	–	(57,812)	–	(20,653)
Exchange rate adjustment *	(94)	2,659	–	–
At 31 December	**142,678**	**207,364**	**67,668**	**90,701**
Lease liabilities maturity analysis				
Year 1	47,052	65,173	26,766	22,779
Year 2	52,535	46,845	31,693	27,019
Year 3	27,603	52,255	9,209	31,693
Year 4	15,488	27,603	–	9,210
Year 5	–	15,488	–	–
	142,678	**207,364**	**67,668**	**90,701**

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

30. TRADE AND OTHER PAYABLES

All figures in KSh'000	CONSOLIDATED		COMPANY	
	2021	2020	2021	2020
Trade payables	2,418,981	1,859,714	456,139	424,735
Other payables	647,359	483,288	159,265	102,796
Leave pay provision	42,090	54,829	6,301	14,687
Value Added Tax payable	577,880	471,284	8,555	–
	3,686,310	**2,869,115**	**630,260**	**542,218**
Movement in leave pay provision				
Balance at the beginning of the year	54,829	60,926	14,687	21,151
Provision for leave pay	12,870	16,495	1,864	–
Paid during the year	(24,188)	(18,401)	(10,250)	(5,609)
Reversals of provision for leave pay	(1,909)	(4,724)	–	(855)
Effect of exchange rates	488	533	–	–
Balance at the end of the year	**42,090**	**54,829**	**6,301**	**14,687**

31. DIVIDENDS PAYABLE

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
At 1 January	82,345	32,716	82,345	32,716
Dividends declared	24,726	3,475,018	–	3,457,248
Dividends paid	(40,240)	(3,425,389)	(15,514)	(3,407,619)
At 31 December	**66,831**	**82,345**	**66,831**	**82,345**

32. BANK OVERDRAFTS

The Company has, for and on behalf of all its Kenyan subsidiaries, availed a general short term banking facility, incorporating overdrafts, letter of credit and/or guarantee of bank facility of KShs. 500million and forward exchange contract facility of USD12million from Stanbic Bank Kenya Limited. The utilisation of these facilities is monitored at a Group level. The Group is not using the facilities regularly and the maximum amount of the facilities used was KShs. 165m on 25th October 2021. Securities offered for the facilities are as follows:

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

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

(iii) Right of set-off.

33. CAPITAL COMMITMENTS

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Authorised but not contracted	–	–	–	–
Authorised and contracted	3,566	727	–	364
	3,566	**727**	**–**	**364**

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

34. CONTINGENT LIABILITIES

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Pending claims	183,551	177,847	–	–
Guarantees	3,066	13,232	2,866	13,032
	186,617	**191,079**	**2,866**	**13,032**

The pending claims against the Group by various parties, principally relate to procurement disputes. The likely outcome of these claims cannot be determined as at the date of signing these financial statements. The directors' estimate of the maximum liability arising from these pending claims is set out above.

35. RISK MANAGEMENT POLICIES

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

35.1. Capital risk management

The Group manages its capital with an aim to:

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

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

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

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Total Equity per statement of Financial Position	5,200,397	5,267,521	6,156,855	6,041,873
Loans payable to a related company	–	–	–	–
Less: Cash, bank and deposit balances	3,951,469	3,857,957	2,904,163	2,700,376
Excess of Cash and cash equivalents over borrowings	**(3,951,469)**	**(3,857,957)**	**(2,904,163)**	**(2,700,376)**
Gearing ratio	N/A	N/A	N/A	N/A

35.2. 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.

35. RISK MANAGEMENT POLICIES (CONTINUED)

35.3. Credit risk

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

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

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

	CONSOLIDATED		COMPANY	
All figures in KSh'000	**2021**	**2020**	**2021**	**2020**
Trade receivables	2,181,409	1,824,818	409,185	537,380
Loan to related companies	24,577	88,305	24,577	88,305
Due from related companies	376,653	107,435	2,138,299	1,781,288
Bank balances and short term deposits	1,400,107	1,940,644	420,659	783,065
Fixed deposits with bank (maturing after 3 months	2,550,946	1,916,726	2,483,091	1,916,726
	6,533,692	**5,877,928**	**5,475,811**	**5,106,764**

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 >380 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

35. RISK MANAGEMENT POLICIES (CONTINUED)

35.3 Credit risk (continued)

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

Group

2021	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				KSh'000	KSh'000	KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	3,134,712	(953,303)	2,181,409
Loan to related companies	N/A	Performing	Lifetime ECL	331,457	(306,880)	24,577
Due from related companies	N/A	Performing	Lifetime ECL	376,653	–	376,653
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	1,431,382	(31,275)	1,400,107
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	2,574,133	(23,187)	2,550,946
				7,848,337	**(1,314,645)**	**6,533,692**

2020	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				KSh'000	KSh'000	KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	2,857,548	(1,032,730)	1,824,818
Loan to related companies	N/A	Performing	Lifetime ECL	395,185	(306,880)	88,305
Due from related companies	N/A	Performing	Lifetime ECL	107,435	–	107,435
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	1,940,644	–	1,940,644
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	1,916,726	–	1,916,726
				7,217,538	**(1,339,610)**	**5,877,928**

35. RISK MANAGEMENT POLICIES (CONTINUED)

35.3 Credit risk (continued)

Company

2021	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				KSh'000	KSh'000	KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	413,674	(4,489)	409,185
Loan to related companies	N/A	Performing	Lifetime ECL	481,967	(457,390)	24,577
Due from related companies	N/A	Performing	Lifetime ECL	2,138,299	–	2,138,299
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	426,025	(5,366)	420,659
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	2,506,185	(23,094)	2,483,091
				5,966,150	**(490,339)**	**5,475,811**

2020	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				KSh'000	KSh'000	KSh'000
Trade receivables	N/A	Performing	Lifetime ECL	538,385	(1,005)	537,380
Loan to related companies	N/A	Performing	Lifetime ECL	545,695	(457,390)	88,305
Due from related companies	N/A	Performing	Lifetime ECL	1,781,288	–	1,781,288
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	783,065	–	783,065
Fixed deposits with bank (maturing in more than 3 months	A, BBB, B+, B-	Performing	12 month ECL	1,916,726	–	1,916,726
				5,565,159	**(458,395)**	**5,106,764**

35. RISK MANAGEMENT POLICIES (CONTINUED)

35.3 Credit risk (continued)

Credit risk profile based on provision matrix

Group

2021	< 30 days	31–60 days	61–90 days	91–180 days	181–360 days	Over 361 days	Total
ECL rate	0.5%	0.8%	1.1%	2.0%	15.1%	98.2%	30.4%
Expected Gross Carrying Amount (KSh'000)	1,134,140	452,199	213,480	271,960	129,744	933,189	3,134,712
Lifetime ECL (KSh'000)	5,601	3,418	2,429	5,519	19,546	916,790	953,303

2020	< 30 days	31–60 days	61–90 days	91–180 days	181–360 days	Over 361 days	Total
ECL rate	0%	0%	0%	1%	3%	95%	36%
Expected Gross Carrying Amount (KSh'000)	915,722	376,586	196,287	155,210	131,254	1,082,489	2,857,548
Lifetime ECL (KSh'000)	–	–	53	1,768	3,353	1,027,556	1,032,730

Company

2021	< 30 days	31–60 days	61–90 days	91–180 days	181–360 days	Over 361 days	Total
ECL rate	0.4%	0.7%	1.9%	2.8%	11.3%	0%	1.1%
Expected Gross Carrying Amount (KSh'000)	328,277	29,089	10,698	27,853	17,757	–	413,674
Lifetime ECL (KSh'000)	1,289	202	207	793	1,999	–	4,489

2020	< 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%	15%	0%
Expected Gross Carrying Amount (KSh'000)	256,383	224,020	8,607	19,147	26,865	3,363	538,385
Lifetime ECL (KSh'000)	–	–	3	96	403	503	1,005

35. RISK MANAGEMENT POLICIES (CONTINUED)

35.3 Credit risk (continued)

A reconciliation of the impairment loss accounts:

Group	Trade receivables KSh'000	Loan to related companies KSh'000	Total KSh'000
31 December 2020			
At 1 January 2020	568,439	–	568,439
Increase in loss allowance	474,627	306,880	781,507
Amounts written off during the year as uncollectible	(8,242)	–	(8,242)
Reversal of provision for bad debts	(23,926)	–	(23,926)
Effect of exchange rate movements	21,832	–	21,832
At 31 December 2020	**1,032,730**	**306,880**	**1,339,610**
31 December 2021			
At 1 January 2021	1,032,730	306,880	1,339,610
Increase in loss allowance	50,619	–	50,619
Reversal of provision for bad debts	(126,056)	–	(126,056)
Effect of exchange rate movements	(3,990)	–	(3,990)
At 31 December 2021	**953,303**	**306,880**	**1,260,183**

Company	Trade receivables KSh'000	Loan to related companies KSh'000	Total KSh'000
31 December 2020			
At 1 January 2020	647	–	647
Increase in loss allowance	358	457,390	457,748
At 31 December 2020	**1,005**	**457,390**	**458,395**
31 December 2021			
At 1 January 2021	1,005	457,390	458,395
Increase in loss allowance	3,484	–	3,484
At 31 December 2021	**4,489**	**457,390**	**461,879**

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

35. RISK MANAGEMENT POLICIES (CONTINUED)

35.4. Liquidity risk management

Liquidity risk is the risk that cash may not be available to settle obligations when due, at a reasonable cost. The primary liquidity risk of the Group is its obligation to pay vendors as they fall due. Management has built an appropriate liquidity risk management framework for the Group's short, medium and long-term needs. The Group manages liquidity risk by monitoring forecast and actual cash flows and by maintaining credit facilities from banks. Refer note 31 for details of bank credit facilities the Group has.

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

For Group:

All figures in KSh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
At 31 December 2021				
Payable to related parties	39,982	13	154,973	194,968
Trade payables	1,159,808	364,509	894,664	2,418,981
Lease Liabilities	6,697	8,693	127,288	142,678
Dividends payable	66,831	–	–	66,831
	1,273,318	**373,215**	**1,176,925**	**2,823,458**
At 31 December 2020				
Payable to related parties	2,084	2,401	174,265	178,750
Trade payables	575,516	253,428	1,030,770	1,859,714
Lease Liabilities	5,467	9,566	192,331	207,364
Dividends payable	82,345	–	–	82,345
	665,412	**265,395**	**1,397,366**	**2,328,173**

For Company:

All figures in KSh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
At 31 December 2021				
Payable to related parties	288,491	6,392	33,610	328,493
Trade payables	355,590	95,042	5,507	456,139
Lease Liabilities	4,998	2,185	60,485	67,668
Dividends payable	66,831	–	–	66,831
	715,910	**103,619**	**99,602**	**919,131**
At 31 December 2020				
Payable to related parties	204,016	2,488	39,184	245,688
Trade payables	213,438	85,017	126,280	424,735
Lease Liabilities	–	6,854	83,847	90,701
Dividends payable	82,345	–	–	82,345
	499,799	**94,359**	**249,311**	**843,469**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

35. RISK MANAGEMENT POLICIES (CONTINUED)

35.4 Liquidity risk management (Continued)

35.4.1 Interest rate risk

Interest rate risk arises primarily from bank borrowings. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates. The potential impact of 1% increase or decrease in interest rate on profitability of the company would have been a decrease or increase of KShs. 0.51million (2020: KShs. 0.03million) with a corresponding similar impact on retained earnings.

35.4.2 Foreign currency risk

The Group's operations are predominantly in Kenya where the currency has been fluctuating against the major convertible currencies. A portion of the Group's purchases and sales are denominated in foreign currencies principally in US dollars. The Group does not hedge its foreign currency risk. This risk is insignificant.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

At 31 December 2021, if the average exchange rate for the year was 5% higher or lower, the profit before tax would have increased or decreased by approximately KShs. 6.4million (2020: KShs. 3.50million) for the Group and KShs. 15million (2020: KShs. 1.79million) for the Company.

35.4.3 Price risk

Price risk arises from fluctuations in the prices of equity investments. At 31 December 2021 and 31 December 2020, the group did not hold investments that would be subject to price risk; hence this risk is not applicable.

35.4.4 Concentration risk

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

35.5. Fair value measurement

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

36. DIVIDENDS

The directors do not declare a final dividend for the financial year ended 31 December 2021 (2020: Nil). A special interim dividend of KShs. 8.00 per share totalling KShs. 3,457,247,880 based on 432,155,985 shares in issue was paid in 2020.

37. EVENTS AFTER THE REPORTING DATE

Ms. Patricia Ithau was appointed as Chief Executive Officer and Executive Director of the company on 14 March 2022.

In addition, the company appointed a number of new non-executive directors on 31 March 2022 and Mr. Pratul Shah retired at the same time. Details of these appointments are included in the director's report.

38. 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 www.wpp.com

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