



# SCANGROUP

## UNAUDITED GROUP RESULTS FOR SIX MONTHS ENDED 30<sup>TH</sup> JUNE 2014

### Figures in Ksh'000

	H1 2014	H1 2013
<b>Revenue</b>	<b>2,263,371</b>	<b>1,805,381</b>
Operating and administrative expenses	(2,100,986)	(1,766,293)
<b>Operating profit</b>	<b>162,385</b>	<b>39,088</b>
Other income	9,644	4,186
Net interest income	111,727	19,546
Share of profit from joint arrangement	-	30,369
Foreign exchange (loss) / gain	(29,903)	7,980
<b>Profit before tax</b>	<b>253,853</b>	<b>101,169</b>
Tax charge	(71,163)	(57,545)
<b>Profit for the period</b>	<b>182,690</b>	<b>43,624</b>
Other comprehensive income	3,914	(1,388)
<b>Total comprehensive income for the period</b>	<b>186,604</b>	<b>42,236</b>
<b>Profit attributable to:</b>		
Equity holders of the parent company	158,428	5,504
Non-controlling interests	24,262	38,120
	<b>182,690</b>	<b>43,624</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent company	162,643	5,415
Non-controlling interests	23,961	36,821
	<b>186,604</b>	<b>42,236</b>
Basic and diluted earnings per share (Ksh)	0.42	0.02

Note: Amounts for H1 2013 were reclassified to conform to changes in presentation in the current period

### Commentary on results for the half year ended 30<sup>th</sup> June 2014

The Board of Directors is pleased to announce the unaudited results for the Group for the six month period ended June 30, 2014. Revenue increased by 25.4% over the corresponding prior year period to Ksh2.26bn. Growth came from a combination of 10% organic growth from our existing agencies, plus the benefit of consolidating the results of our Market Research business (Millward Brown) that prior to December 2013 had been accounted for as a joint arrangement, but is now a fully owned subsidiary.

The cost base grew by 18.9% due to the consolidation of our Market Research business and modest growth across our existing agencies offset by a reduction in cost in our Nigerian operations. As a result we have seen a strong improvement in our operating profit margin from 2.2% in H1 2013 to 7.2% in H1 2014.

Interest income has grown from Ksh20m to Ksh112m as a result of interest earned on the subscription amount, Ksh1.83bn, received from Cavendish (WPP plc) in December 2013.

Overall Profit before Tax has increased by 151% and EPS has grown from Ksh0.02 to Ksh0.42.

### Outlook for rest of the year

The Group has reported significant growth in both revenue and profit during the first half of this year. This is expected to continue during the second half of the year with further improvement in operating profit margins.

### Accounting Policies

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2013 annual financial statements.

### Dividends

The Board of Directors do not recommend an interim dividend for the year 2014.

### Event after the end of reporting period

On July 10, 2014 the company announced that it had entered into an agreement with Marc Group Limited, Experiential Marketing (Proprietary) Limited ("EMPL"), various subsidiaries of EMPL and other shareholders of EMPL to acquire 80.4% equity shares in EMPL and its subsidiaries. Completion of the acquisition is subject to customary closing conditions and receipt of statutory and regulatory approvals.

### By Order of the Board

Richard Omwela  
Director  
7<sup>th</sup> August 2014

**Scangroup Limited**

Unaudited Statement of Profit or Loss and other comprehensive Income for six month ended June 30 2014

<b>All figures in Sh'000</b>	<b>H1 2014</b>	<b>H1 2013 (Restated)</b>
Billings	8,178,414	6,485,363
Direct costs	(5,915,043)	(4,679,982)
Revenue	<u>2,263,371</u>	<u>1,805,381</u>
Interest income	111,727	19,546
Other income	9,644	4,186
Share of profit from joint arrangement	-	30,369
Operating and administrative expenses	(2,100,986)	(1,766,293)
Foreign exchange loss	(29,903)	7,980
Profit before tax	<u>253,853</u>	<u>101,169</u>
Tax charge	(71,163)	(57,545)
Profit for the year	<u>182,690</u>	<u>43,624</u>
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translating foreign operations	3,914	(1,388)
Total comprehensive income for the year	<u>186,604</u>	<u>42,236</u>
Profit attributable to:		
Equity holders of the parent company	158,428	5,504
Non-controlling interests	<u>24,262</u>	<u>38,120</u>
	<u>182,690</u>	<u>43,624</u>
Total comprehensive income attributable to:		
Equity holders of the parent company	162,643	5,415
Non-controlling interests	<u>23,961</u>	<u>36,821</u>
	<u>186,604</u>	<u>42,236</u>
Basic and diluted earnings per share (Sh)	0.42	0.01

**Scangroup Limited**

Unaudited Statement of Financial Position as at June 30, 2014

All figures in Sh'000

**30 June  
2014**      **31 December  
2013****ASSETS***Non-current assets*

Equipment	533,014	544,938
Intangible assets	1,288	5,078
Investment in joint arrangement	-	-
Other equity investments	4,496	4,488
Deferred tax asset	111,217	126,223
Receivable from related parties	-	-
Goodwill	1,548,183	1,548,183
	<u>2,198,198</u>	<u>2,228,910</u>

*Current assets*

Trade and other receivables	7,430,099	7,618,004
Work-in-progress	21,589	15,931
Tax recoverable	402,578	291,209
Cash and cash equivalents	3,026,216	2,795,611
	<u>10,880,482</u>	<u>10,720,755</u>

Total assets	<u>13,078,680</u>	<u>12,949,665</u>
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**EQUITY AND LIABILITIES***Capital and reserves*

Share capital	378,865	378,865
Share premium account	8,281,817	8,296,150
Revenue (deficit) / reserve	(472,995)	(479,877)
Translation reserve	(2,588)	(6,803)
Equity attributable to share holders of the holding company	<u>8,185,099</u>	<u>8,188,335</u>
Non-controlling interests	87,411	63,450
Total equity	<u>8,272,510</u>	<u>8,251,785</u>

*Non-current liabilities*

Deferred tax liability	423	10,948
Loan payable to a related parties	349,430	335,230
	<u>349,853</u>	<u>346,178</u>

*Current liabilities*

Trade and other payables	4,274,648	4,257,599
Tax payable	99,313	80,079
Dividends payable	82,356	14,024
	<u>4,456,317</u>	<u>4,351,702</u>

Total equity and liabilities	<u>13,078,680</u>	<u>12,949,665</u>
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**Scangroup Limited**  
 Unaudited Statement of Changes in Equity as at June 30 2014

<b>All amounts in Sh'000</b>	<b>Share capital</b>	<b>Share premium account</b>	<b>Revenue (deficit) reserve</b>	<b>Translation reserve</b>	<b>Attributable to share holders of the holding company</b>	<b>Non-controlling interests</b>	<b>Total</b>
At 1 January 2013	284,789	1,754,388	2,236,626	(6,551)	4,269,252	630,379	4,899,631
Shares issued	94,076	6,541,762	-	-	6,635,838	-	6,635,838
Profit for the year	-	-	790,143	-	790,143	77,215	867,358
Acquisition of non-controlling interests	-	-	(3,335,773)	-	(3,335,773)	-	(3,335,773)
Minority interest acquired	-	-	-	-	-	(643,303)	(643,303)
Other comprehensive income	-	-	-	(252)	(252)	(841)	(1,093)
Dividend declared - 2012	-	-	(170,873)	-	(170,873)	-	(170,873)
At 31 December 2013	<u>378,865</u>	<u>8,296,150</u>	<u>(479,877)</u>	<u>(6,803)</u>	<u>8,188,335</u>	<u>63,450</u>	<u>8,251,785</u>
At 1 January 2014	378,865	8,296,150	(479,877)	(6,803)	8,188,335	63,450	8,251,785
Profit for the period	-	-	158,428	-	158,428	24,262	182,690
Expenses related to acquisition of non-controlling interests	-	(14,333)	-	-	(14,333)	-	(14,333)
Other comprehensive income	-	-	-	4,215	4,215	(301)	3,914
Dividend declared - 2013	-	-	(151,546)	-	(151,546)	-	(151,546)
At 30 June 2014	<u>378,865</u>	<u>8,281,817</u>	<u>(472,995)</u>	<u>(2,588)</u>	<u>8,185,099</u>	<u>87,411</u>	<u>8,272,510</u>

**Scangroup Limited**

Unaudited condensed statement of cash flow for six months ended June 30, 2014

All figures in Sh'000	H1 2014	H1 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	253,853	101,169
<b><u>Adjustments:</u></b>		
Depreciation	65,999	54,516
Amortisation of intangible assets	2,880	2,753
(Gain) / loss on disposal of equipment	(49)	263
Unrealised foreign exchange loss	31,661	(2,582)
Share of profit of associates	-	(30,369)
Interest income	(118,031)	(44,071)
Cash generated from operations before working capital changes	<u>236,313</u>	<u>81,679</u>
<b><u>Movement in working capital</u></b>		
Decrease / (increase) in trade and other receivables	187,905	(1,079,038)
(Increase) / decrease in work-in-progress	(5,658)	8,278
Increase in trade and other payables	17,049	215,594
Increase in related party balances	-	(53,942)
	<u>199,296</u>	<u>(909,108)</u>
Cash generated from / (used in) operating activities	435,609	(827,429)
Tax paid	(163,298)	(223,613)
<b>Net cash generated from / (used in) operating activities</b>	<b><u>272,311</u></b>	<b><u>(1,051,042)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(56,067)	(130,807)
Proceeds on sale of equipment	2,041	10,315
Expenses related to acquisition of non-controlling interests	(14,333)	-
Interest income received	118,031	44,071
<b>Net cash used in investing activities</b>	<b><u>49,672</u></b>	<b><u>(76,421)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(83,214)	(13,084)
<b>Net cash used in financing activities</b>	<b><u>(83,214)</u></b>	<b><u>(13,084)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>238,769</u></b>	<b><u>(1,140,547)</u></b>
Cash and cash equivalents at the beginning of the year	2,795,611	1,875,595
Effect of fluctuations in exchange rates	(8,164)	(4,887)
Cash and cash equivalents at end of the year	<u>3,026,216</u>	<u>730,161</u>