

Proposed disposal of Kantar Africa Business

During the year and as disclosed in the half year results of 2019, WPP Scangroup's majority shareholder, WPP Plc, entered into an agreement to sell 60% of its shareholding in Kantar globally. As a consequence of the global transaction and as announced on 31 October 2019, WPP Scangroup Plc entered into an agreement to sell its Kantar Africa Business (representing 100% shareholding in Millward Brown East Africa Limited, Millward Brown Nigeria Limited and Millward Brown West Africa Limited and 80% shareholding in Research and Marketing Group Investment Limited, which has Kantar TNS businesses in Kenya, Nigeria, Ivory Coast, Senegal, Ghana, Cameroon and the UK). This transaction is subject to regulatory and shareholder approval and is expected to be completed by 30 June 2020. As required by International Financial Reporting Standard No 5 (IFRS 5) Non-current Assets Held for Sale and Discontinued Operations, the results of Kantar Africa Business have been presented as discontinued operations. The assets of Kantar Group have been disclosed as "Assets classified as held for sale" and the liabilities disclosed as "Liabilities directly associated with assets classified as held for sale".

Below is the summary providing Group consolidated results of continuing and discontinued operations included in consolidated accounts of 2019. 2018 results have been shown for comparison purposes.

All figures in Ksh'000	Continuing Operations		Discontinued Operations		Consolidated results	
	2019	2018	2019	2018	2019	2018
Billings	9,282,328	11,448,501	3,298,158	2,373,289	12,580,486	13,821,790
Revenue	2,872,837	3,028,509	2,198,877	1,476,395	5,071,714	4,504,904
Operating profit	130,546	129,120	536,884	511,914	667,430	641,034
Foreign exchange (losses)/gain	(34,163)	(25,317)	9,207	20,160	(24,956)	(5,157)
Interest income net of interest expense	165,620	280,522	(3,566)	10,582	162,054	291,104
Other income (net of impairment)	28,679	30,477	1,956	2,430	30,635	32,907
Profit before tax	290,682	414,802	544,481	545,086	835,163	959,888
Tax charge	(131,890)	(168,312)	(211,864)	(179,367)	(343,754)	(347,679)
Profit for the year	158,792	246,490	332,617	365,719	491,409	612,209
Profit attributable to:						
Shareholders of the holding company	145,903	224,828	286,068	329,653	431,971	554,481
Non-controlling interests	12,889	21,662	46,549	36,066	59,438	57,728
	158,792	246,490	332,617	365,719	491,409	612,209

Consolidated results:

Revenue increased by 13% due to the full year impact of the TNS operations acquired in July 2018. Operating profit is up by 4%, however profit before tax has declined by 13% due to a reduction in interest income and greater foreign exchange losses. Profit after tax is down by 20%.

Continuing operations:

Revenue has declined by 5%. Due to timely cost control measures, we maintained our service delivery to clients by being more innovative and efficient and delivering cost effective solutions leading to growth in our operating profit of 1%. Interest income is reduced by 41% due to reduction in deposits as the same was utilized to pay a special dividend during the year. Profit before tax declined by 30% and profit for the year was down by 36%.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

All figures in Ksh'000	2019	2018
Continuing operations		
Billings	9,282,328	13,821,790
Revenue	2,872,837	4,504,904
Interest income net of interest expense	165,620	291,104
Other income	30,901	31,559
Share of (loss) / profit in associates	(2,222)	25,131
Operating and administrative expenses	(2,742,291)	(3,863,870)
Impairment of investment in associates	-	(2,461)
Impairment of goodwill	-	(21,322)
Foreign exchange losses	(34,163)	(5,157)
Profit before tax	290,682	959,888
Tax charge	(131,890)	(347,679)
Profit for the year from continuing operations	158,792	612,209
Discontinued operations		
Profit for the year from discontinued operations	332,617	-
Profit for the year	491,409	612,209
Other comprehensive loss		
Exchange difference on translating foreign operations	(29,906)	(97,120)
Total comprehensive income for the year	461,503	515,089
Profit attributable to:		
Shareholders of the holding company (a)	431,971	554,481
Non-controlling interests	59,438	57,728
	491,409	612,209
Total comprehensive income attributable to:		
Shareholders of the holding company	408,842	467,418
Non-controlling interests	52,661	47,671
	461,503	515,089
Earnings per share		
From continuing operations		
Basic and diluted (Ksh)	0.34	0.55
Number of shares (in thousands)	432,156	432,156
Weighted average number of shares (in thousands)	432,156	405,511
From continuing and discontinued operations		
Basic and diluted (Ksh) (a) / (b)	1.00	1.37
Number of shares (in thousands)	432,156	432,156
Weighted average number of shares (in thousands) (b)	432,156	405,511

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

All figures in Ksh'000	31 December 2019	31 December 2018
ASSETS		
Non-current assets		
Equipment	209,544	361,613
Right-of-use assets	307,441	-
Investments in associates and other equity investment	196,371	197,781
Long term loans to related companies	409,644	314,256
Deferred tax asset	631,392	719,684
Goodwill	339,038	1,590,913
	2,093,430	3,184,247
Current assets		
Trade and other receivables	3,618,865	5,637,216
Work-in-progress	10,431	73,960
Receivable from related parties	86,030	263,300
Tax recoverable	735,455	841,726
Cash, bank and deposit balances	2,133,713	4,424,749
	6,584,494	11,240,951
Assets classified as held for sale	4,125,249	-
	10,709,743	11,240,951
TOTAL ASSETS	12,803,173	14,425,198
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	432,156	432,156
Share premium	9,155,166	9,155,166
Accumulated deficit	(2,128,152)	(813,799)
Translation deficit	(430,223)	(407,094)
Equity attributable to shareholders of the holding company	7,028,947	8,366,429
Non-controlling interests	163,625	122,950
Total equity	7,192,572	8,489,379
Non-current liabilities		
Deferred tax liability	34	2,974
Lease liabilities	255,441	-
Loan payable to a related party	-	502,106
	255,475	505,080
Current liabilities		
Trade and other payables	3,041,605	4,672,024
Tax payable	87,813	204,556
Payable to related parties	31,578	540,104
Lease liabilities	61,330	-
Dividends payable	32,716	14,055
	3,255,042	5,430,739
Liabilities directly associated with assets classified as held for sale	2,100,084	-
	5,355,126	5,430,739
TOTAL EQUITY AND LIABILITIES	12,803,173	14,425,198



SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

All figures in Ksh'000	Share capital	Share premium	(Accumulated deficit)/revenue reserve	Translation deficit	Non-controlling interests	Total
At 1 January 2018	378,865	8,281,817	508,141	(320,031)	116,377	8,965,169
IFRS 9 day 1 transition adjustment	-	-	(546,077)	-	(5,946)	(552,023)
Deferred tax on IFRS 9 day 1 adjustment	-	-	163,318	-	1,669	164,987
Adjusted balance at 1 January 2018	378,865	8,281,817	125,382	(320,031)	112,100	8,578,133
Shares issued	53,291	873,349	-	-	-	926,640
Profit for the year	-	-	554,481	-	57,728	612,209
Acquisition of non-controlling interests	-	-	(1,209,513)	-	-	(1,209,513)
Non-controlling interest acquired	-	-	-	-	(22,317)	(22,317)
Other comprehensive loss	-	-	-	(87,063)	(10,057)	(97,120)
Dividend declared - 2017	-	-	(284,149)	-	(14,504)	(298,653)
At 31 December 2018	432,156	9,155,166	(813,799)	(407,094)	122,950	8,489,379
At 1 January 2019	432,156	9,155,166	(813,799)	(407,094)	122,950	8,489,379
IFRS 16 day 1 transition adjustment	-	-	(17,700)	-	(2,546)	(20,246)
Adjusted balance at 1 January 2019	432,156	9,155,166	(831,499)	(407,094)	120,404	8,469,133
Profit for the year	-	-	431,971	-	59,438	491,409
Other comprehensive loss	-	-	-	(23,129)	(6,777)	(29,906)
Dividend declared - 2018	-	-	(1,728,624)	-	(9,440)	(1,738,064)
At 31 December 2019	432,156	9,155,166	(2,128,152)	(430,223)	163,625	7,192,572

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

All figures in Ksh'000	2019	2018
Cash generated from operating activities before working capital changes	980,296	781,069
Working capital changes	252,460	590,081
Tax paid on operating income	(597,582)	(312,873)
Cash generated from operating activities	635,174	1,058,277
Cash generated from investing activities	45,294	317,138
Cash used in financing activities	(1,925,654)	(313,489)
Cash and cash equivalents at the beginning of the year	4,377,820	3,396,739
Net (decrease) / increase during the year	(1,245,186)	1,061,926
Effect of fluctuation in exchange rates	(12,371)	(80,845)
Cash and cash equivalents reclassified as held for sale	(996,319)	-
Cash and cash equivalents at end of the year (Note 1)	2,123,944	4,377,820

Note 1: Excludes accrued interest on deposits (2019: Ksh 9,769,000; 2018: Ksh 46,929,000) which is included in cash, bank deposit balances

COMMENTARY

Overall 2019 was a challenging year similar to the prior year. Our clients were looking for more efficiencies and their cost optimization efforts continued. Overall client spends on traditional media continued to decline with a bigger desire to look for sales growth from non traditional channels. This led to a decline in the Group's revenue in the traditional business activities of advertising, media and public relations. However, our investment in technology-based marketing automation platforms and B2B and B2C applications saw growth. This growth is still at a nascent stage but we believe it will be the backbone of our growth in the future.

FUTURE OUTLOOK

The company recognizes that the ongoing Covid-19 pandemic may have an adverse impact on its business. Given the restrictions in the movement of people, we believe the opportunity will be in technology based marketing automated platforms and applications enabling B2B and B2C enterprise solutions. The Company's investment in this area will continue aggressively to make this a significant revenue generating business. We will also continue to grow our traditional business by entering into growth areas such as content production.

PROPOSED DIVIDEND

The Board has considered the events that are taking place relating to the unprecedented Covid-19 pandemic and its effects on the Kenyan economy and on the world and its population at large. Our company and the industry it represents will also have to weather the storm and remain steady for the forthcoming economic challenges. Keeping this uncertainty in mind the Board has decided to defer the dividend declaration for the financial year 2019.

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

Opinion

The summary consolidated financial statements which comprise the summary consolidated statement of financial position as at 31 December 2019 and the summary consolidated statement of profit or loss and other comprehensive income, the summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of WPP Scangroup Plc for the year ended 31 December 2019.

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

Other matter

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

Summary Consolidated Financial Statements

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

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 29 April 2020. That report also includes the communication of a key audit matter as reported in the auditors' report on the audited consolidated financial statements. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' Responsibility for the Summary Consolidated Financial Statements

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

Auditors' Responsibility

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

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Signing partner responsible for the independent audit

29 April 2020