



2020

# WPP SCANGROUP PLC

ANNUAL REPORT &  
CONSOLIDATED FINANCIAL  
STATEMENTS



# **WPP SCANGROUP PLC**

## **ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS**

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# WPP SCANGROUP PLC

## ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

### CORPORATE INFORMATION

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DIRECTORS

Richard Omwela Chairman  
Jonathan Neil Eggar\*  
Andrew Scott\*  
Dominic Grainger\*  
Pratul Hemraj Shah  
Jason Day\*  
Shahid Sadiq\*

\* British

SECRETARY

Winniefred Jumba  
Certified Public Secretary (Kenya)  
Stamford Corporate Services LLP  
5<sup>th</sup> Floor, West Wing, ICEA Lion  
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P. O. Box 10643 - 00100  
Nairobi

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AUDITORS

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Certified Public Accountants (Kenya)  
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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  
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Nairobi

# WPP SCANGROUP PLC

## ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

### CORPORATE INFORMATION (Continued)

#### GROUP COMPANIES, BUSINESS ACTIVITIES AND GEOGRAPHIC PRESENCE

<b>Business Activities</b>	<b>Country</b>	<b>Business Activities</b>	<b>Country</b>
<b><u>Advertising</u></b>		<b><u>Media investment management</u></b>	
Scanad Ghana Ltd.	Ghana	GroupM Africa Ltd.	Kenya
Ogilvy Ghana Ltd.	Ghana	MEC Africa Ltd.	Kenya
Scanad Kenya Ltd.	Kenya	Media Compete East Africa Ltd.	Kenya
J. Walter Thompson Kenya Ltd.	Kenya	Mindshare Kenya Ltd.	Kenya
Scanad Africa Ltd.	Kenya	Ogilvy Africa Media Ltd.	Kenya
Grey East Africa Ltd.	Kenya	Scangroup (Malawi) Ltd.	Malawi
Ogilvy & Mather (Eastern Africa) Ltd.	Kenya	Scangroup (Mauritius) Ltd.	Mauritius
Geometry Global Ltd.	Kenya	Scangroup Mozambique Limitada	Mozambique
Ogilvy Africa Ltd.	Kenya	Scangroup (Zambia) Ltd.	Zambia
Ogilvy Kenya Ltd.	Kenya		
Scanad Nigeria Ltd.	Nigeria		
Scanad Rwanda Ltd.	Rwanda	<b><u>Public relations</u></b>	
O&M Africa B.V. (Branch Office)	South Africa	Hill & Knowlton East Africa Ltd.	Kenya
Scanad Tanzania Ltd.	Tanzania	Ogilvy Public Relations Ltd.	Kenya
J.Walter Thompson Tanzania Ltd.	Tanzania	Hill & Knowlton Strategies Nigeria Ltd.	Nigeria
Ogilvy Tanzania Ltd.	Tanzania	Hill & Knowlton Strategies Uganda Ltd.	Uganda
Scanad Uganda Ltd.	Uganda	Hill + Knowlton Strategies SA Pty Ltd.	South Africa
JWT Uganda Ltd.	Uganda	WPP Team Gabon SARL	Gabon
Ogilvy & Mather Zambia Ltd.	Zambia		
		<b><u>Digital advertising</u></b>	
<b><u>Speciality communication</u></b>		Squad Digital Ltd.	Kenya
Roundtrip Ltd.	Kenya	Squad Digital Nigeria Ltd.	Nigeria

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

# WPP SCANGROUP PLC

## ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

### REPORT OF THE DIRECTORS

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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 2020, which disclose its state of affairs.

#### PRINCIPAL ACTIVITY

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

#### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
(Loss) / profit before tax	(1,454,493)	290,682	(2,506,163)	653,201
Tax charge	(278,035)	(131,890)	(244,656)	(22,882)
(Loss) / profit for the year from continuing operations	(1,732,528)	158,792	(2,750,819)	630,319
(Loss) / profit for the year from discontinued operations	(126,682)	332,617	-	-
Net gain on disposal of discontinued operations after tax	2,242,028	-	1,971,011	-
Profit / (loss) for the year	382,818	491,409	(779,808)	630,319
Other comprehensive loss	(25,718)	(29,906)	-	-
Total comprehensive income / (loss) for the year	<u>357,100</u>	<u>461,503</u>	<u>(779,808)</u>	<u>630,319</u>

The detailed results of the Group and the Company are included on page 21.

#### FINANCIAL REVIEW

##### REVIEW OF RESULTS

###### Group results:

###### Continuing Operations

Group reported revenues were Sh 2,239m, a reduction of 22% compared to the previous year. Operating and administrative expenses of the Group increased by Sh 720m, or 26%, mainly as a result of accounts receivables and loan provisions and severance costs resulting from a cost reduction plan. These one-off charges amounted to Sh 774m.

Following a review of the carrying value of goodwill in the Group balance sheet and the carrying value of investments in associates, impairment charges of Sh 315.6m and of Sh 158.8m respectively were made during the year.

Mainly as a result of these charges and provisions, the Group reported a loss before tax for the year of Sh 1,454m.

###### Discontinued Operations

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

# WPP SCANGROUP PLC

## ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

### REPORT OF THE DIRECTORS

(Continued)

#### Company results:

Due to uncertainty regarding the future profitability and future net cash flows resulting from a deterioration in the economic outlook in the later part of 2020 for the Company's subsidiaries, mainly resulting from Covid-19, the Company determined that an impairment provision was required in respect of a number of its investments in subsidiaries. Accordingly, impairment provisions totalling Sh 3,364m were made during the financial year.

#### DIVIDENDS

The directors do not recommend a final dividend for the financial year ended 31 December 2020 (2019: Nil). A special interim dividend of Sh8.00 per share totalling Sh 3,457,247,880 based on 432,155,985 shares in issue was paid during the financial year 2020 (2019: Nil).

#### ENHANCED BUSINESS REVIEW

##### OVERVIEW

WPP Scangroup prides itself on being the leading marketing services group in sub-Saharan Africa. We create ideas and outcomes for our clients through a full range of marketing and communication services.

Data and technology are reshaping our industry, like most others, and we are evolving our offering to put digital at the heart of our thinking across all agency networks. This evolution, which is fundamental to our future success, needs to be paced for the market evolution in sub-Saharan Africa. 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 three to five years for digital spends to catch up to mass media in sub-Saharan 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.

##### OPERATIONS

2020 was 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, in particular in the areas of travel, hospitality and tourism, all negatively impacted our revenue in 2020. We also experienced a trend of short-termism across our clients where long-term and strategic assignments were often traded-off for short-term tactical ones, also adversely affecting revenue.

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.

**REPORT OF THE DIRECTORS**

(Continued)

**LOOKING AHEAD**

While the continuing COVID pandemic may delay economic recovery, we are starting to see some return of momentum in 2021. The west African economies started opening up earlier than those in the east where new waves of COVID variants continue to cause uncertainty for our clients. Through 2021 and 2022 several of our 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 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-Saharan Africa. The support, know-how and client connections of our parent company, WPP plc is invaluable and places us in an unrivalled position of strength.

Our top priority for 2021 and 2022 is to put the company back on a growth path, while improving margins. There are two 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.

For capability expansion, we plan to leverage WPP's global partner networks and platforms such as WPP Open 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.

**COUNTRIES:** While our business spans sub-Saharan Africa, significant share is concentrated in East Africa. Geographic expansion therefore remains a key opportunity for sustained growth.

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

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.

Efforts to find further cost efficiencies is an ongoing effort and remains priority in 2021 and 2022 as well. 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.

**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.

**REPORT OF THE DIRECTORS**

(Continued)

**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. While a new Group CEO is being recruited, the Interim Chief Operating Officer chairs this Committee. The Management Risk Committee reports to the Board Audit and Risk Committee and also to the Global WPP business integrity function responsible for the global compliance of WPP Group companies.

**PRO BONO WORK**

GIVE, a Social Mission Programme of Ogilvy Africa, started in 2019 as a small Corporate Social Responsibility (CSR) initiative to support local artists in Kenya. In 2020, once the pandemic started affecting communities around the region, we decided to significantly scale up the initiative into a full-fledged programme as part of our CSR and community related initiatives. It now spans our offices in Accra, Dar-es-salaam, Nairobi, Lagos and Lusaka and our affiliates and partners in several countries across Sub-Sahara Africa.

Supporting and understanding the communities in the markets we operate in is one reason why our business succeeds. Through GIVE, we aim to give back to these communities by helping them solve problems that affect them. It's an employee-run initiative where we contribute our core-skills such as strategy, behavioural sciences, communication, influence and creativity towards select causes. Participation in the program is voluntary and we encourage all employees of Ogilvy Africa to contribute towards causes they believe in.

Specific initiatives under the program are supported at two levels. For select causes, we offer our services pro-bono and for several others, we offer 'humanitarian pricing' at significantly discounted rates.

In 2020, GIVE supported several initiatives with partners varying from government bodies, NGOs and global organisations in the social sector. Over 70 employees actively participated in these efforts.

**Highlights Include**

1. Hygiene & Behaviour Change Coalition (HBCC) is a partnership between UK Aid, Department for International Development (DFID) and Unilever. Ogilvy Africa, Kenya (along with Ogilvy India), led a global team of WPP agencies to create a campaign aimed to limit the spread of COVID by promoting hygiene. Launched in Q4 2020, the campaign ran in over 30 countries in Asia, Middle East, Africa and Latin America; collectively reaching over a billion people.
2. Ogilvy Africa partnered with Terumo Blood & Cell Technologies to embark on a humanitarian initiative through Coalition of Blood for Africa (CoBA) to support adequate, safe, and sustainable blood donation in Sub-Sahara Africa (SSA). In the wake of Covid-19, availability of safe blood across the continent stands significantly compromised and this alliance works towards building a safe ecosystem that can provide blood to places that need it most.
3. In Zambia, we partnered with The Ministry of Health and local media houses to create a public health and hygiene campaign to create behaviour change in remote rural areas.
4. In Kenya, we partnered the Jonathan Jackson Foundation for Jenga Jirani Festival. The initiative brought together over 50 local musicians to perform at the festival to raise funds for communities adversely affected by Covid -19. A significant share of funds raised, was also spent on supporting local artists whose incomes have been severely affected due to a ban on public gatherings and concerts.
5. National Business Compact on Coronavirus (NBCC) is a coalition to mobilize action and support of corporates in countering the Covid-19 pandemic. Ogilvy Africa was one of the early partners of NBCC and remains actively involved. NBCC worked on a campaign to sensitize people on the importance of handwashing in preventing the spread of Covid-19. Partners include Amref, KEPSA, UN (Kenya), Kenya Red Cross, to name a few.

Other notable initiatives include assignments with Africa CDC (Centres for Disease Control and Prevention) and the Bill & Melinda Gates Foundation.



## WPP SCANGROUP PLC

### ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

#### 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 2020		31 December 2019		
		Continuing operations	Continuing operations	Discontinued operations	Total
Permanent		228	307	260	567
Contracted		328	406	174	580
		<u>556</u>	<u>713</u>	<u>434</u>	<u>1147</u>

**ii) Categorisation by gender**

	31 December 2020		31 December 2019	
	Male	Female	Male	Female
Senior leadership	52%	48%	64%	36%
Head Of Department	50%	50%	38%	62%
Senior Managers	54%	46%	54%	46%
Overall	56%	44%	55%	45%

#### DIRECTORS

The current members of the Board of Directors are as shown on Page 2.

**Changes to the Board of Directors during the period were:**

Ms Patricia Ithau tendered her resignation as a director on 26th August 2020.

Mr Laurence Mellman tendered his resignation as a director on 31st August 2020.

Mr. Jason Day and Mr. Shahid Sadiq were appointed as Non-Executive Directors on 8th February 2021.

Mr Thakrar tendered his resignation as a Director and Chief Executive Officer of the Company on 23 March 2021.

Mr Das tendered his resignation as a Director and Chief Financial Officer of the Company on 10 May 2021.

#### CHANGE IN COMPANY SECRETARY

Mr Reuben Mwangi resigned as a Company Secretary with effect from 23 March 2021. Ms Winniefred Jumba was appointed as his replacement on that date.

## **WPP SCANGROUP PLC**

### **ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS**

#### **REPORT OF THE DIRECTORS**

(Continued)

#### **EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors suspended the employment of the Chief Executive Officer, Mr Bharat Thakrar and the Chief Finance Officer, Mr Satyabrata Das on 18th February 2021 to allow for an investigation into allegations of gross misconduct and possible offences in their capacity as senior executives and employees of the Company. The CMA were informed of the suspensions on the same day and shareholders of the Company were informed on the following day.

The Board immediately delegated management responsibility to an interim Chief Operating Officer, Mr Alec Graham, to ensure the continued and uninterrupted management of the Company with the support of the Board, WPP plc and the senior executives of the Company's subsidiaries.

The investigation was carried out by an internal team supported by external investigators working under the supervision of a sub-committee of the Board established for this purpose. During the course of the investigation into the allegations, Mr Thakrar and Mr Das tendered their resignations as Directors and as senior executives of the Company.

Following the completion of this investigation, the auditors of the Company extended the scope of their audit work as a result of the reduced reliance they were able to place on the normal internal controls of the Company. This extended audit process led to the delay in the Company being able to publish its 2020 results. Both shareholders and the Capital Markets Authority (CMA) have been kept informed regarding the delays and the expected date of publication of the results.

The investigation did not identify items of a material nature that required adjustment to the net results of the Company or the Group for the year ended 31 December 2020 or to the balance sheets at that date.

The Board has commenced the process of putting in place a detailed remediation plan to ensure that controls within the Group are enhanced to meet the highest standards.

#### **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

31 August 2021

Nairobi

## **WPP SCANGROUP PLC**

### ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

#### 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.

## WPP SCANGROUP PLC

### ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

#### 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	1 <sup>st</sup> date of appointment	Last re-election	Date of end of current tenure
1	Richard Omwela	Chairman/ Independent Director	14/11/2005	30/09/2020	N/A
2	Bharat Thakrar	Director/CEO	26/01/1999	N/A	Resigned wef 23/03/2021
3	Andrew Grant Balfour Scott	Director	31/10/2008	N/A	N/A
4	Jonathan Neil Eggar	Director	29/05/2015	N/A	N/A
5	Satyabrata Das	Director/CFO	10/05/2019	N/A	Resigned wef 10/05/2021
6	Laurence Mellman	Director	17/04/2012	N/A	Resigned wef 31/08/2020
7	Patricia Ithau	Independent Director	15/03/2017	15/03/2017	Resigned wef 26/08/2020
8	Pratul Hemraj Shah	Independent Director	26/07/2018	26/07/2018	Due for re- election in 2021
9	Dominic Grainger	Director	26/07/2018	26/07/2018	N/A
10	Jason Day	Director	08/02/2021	N/A	Due for re- election in 2021
11	Shahid Sadiq	Director	08/02/2021	N/A	Due for re- election in 2021

#### 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.

## WPP SCANGROUP PLC

### ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

#### DIRECTORS' REMUNERATION REPORT

(Continued)

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

During the Annual General Meeting held on 30 September 2020, the shareholders in attendance approved the Directors' Remuneration Report for the year ended 31 December 2019.

The results on voting were as follows:

Table (ii)

Agenda No.	Resolution	For	% in favour	Against	% Against	Abstained
		(as a percentage of total votes cast at the meeting)				
5	Approve the Directors Remuneration Report and Remuneration for the year ended 31 December 2019	308,635,741	99.99%	41,600	0.01%	166,485

#### 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:

- The Company should remunerate its Directors fairly and responsibly.
- The remuneration should be sufficient to attract, motivate and retain directors to run the Company effectively.
- The remuneration should be consistent with recognised best practice standards and is competitive in line with remuneration for other directors in competing sectors.
- 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.

## WPP SCANGROUP PLC

### ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

#### 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 2020 together with the comparative figures for 2019. The aggregate Directors' emoluments are shown in table (iii) below.

Table (iii)

#### 31 December 2020

##### All figures in Sh'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
<b>Total</b>	<b>98,706</b>	<b>18,541</b>	<b>13,504</b>	<b>8,987</b>	<b>139,738</b>

#### 31 December 2019

##### All figures in Sh'000

Director	Salary	Allowances	Fees	Value of non cash benefits	Total
Bharat Thakrar	49,198	32,278	-	7,091	88,567
Satyabrata Das *	15,456	2,423	-	-	17,879
Richard Omwela	-	-	3,500	-	3,500
Muchiri Wahome	-	-	600	-	600
Patricia Ithau	-	-	1,700	-	1,700
Pratul Hemraj Shah	-	-	1,900	-	1,900
<b>Total</b>	<b>64,654</b>	<b>34,701</b>	<b>7,700</b>	<b>7,091</b>	<b>114,146</b>

\* Amounts shown above are from the date of appointment (10<sup>th</sup> May 2019).

Winniefred Jumba  
Company Secretary  
Nairobi

31 August 2021

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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 31 August 2021 and signed on its behalf by:



Richard Omwela  
Director



Pratul Hemraj Shah  
Director

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

### Report on the Audit of the Consolidated and Company Financial Statements

#### Qualified Opinion

We have audited the accompanying consolidated and company financial statements of WPP Scangroup Plc (“the Group”) set out on pages 21 to 77, which comprise the consolidated and company statements of financial position as at 31 December 2020, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 2020 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 Qualified Opinion

The Group has five foreign investments as disclosed in note 18 to the consolidated financial statements (Ocean Ogilvy Gabon, Ocean Central Africa, Ocean Burkina Faso, Ocean Afrique Occidentale and Ocean Conseil) and has disclosed these as equity investments. The company has not accounted for these investments using the equity method which is in non-compliance with IFRS. The company considers them as immaterial as disclosed in note 18 to the consolidated financial statements.

We were unable to obtain sufficient appropriate audit evidence to determine if the investments exist or not, nor the appropriateness of the carrying amounts of these investments. Consequently, we were unable to satisfy ourselves that no adjustments to the carrying amount of these investments or to the relevant share of net income for the year were necessary.

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 qualified opinion.

#### Key Audit Matters

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





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

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

**Key Audit Matters (Continued)**

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>1) Impairment of Investments in Subsidiaries and Associates</b></p> <p>During the year there was impairment of investment in subsidiaries of Sh 3,363,747,000 on the company only statement of profit and loss and other comprehensive income (2020- Nil) and an impairment of investment in an associate of Sh 158,827,000 on both the consolidated and company statements of profit and loss and other comprehensive income (2020 – Nil). The items are disclosed in note 17 and note 18 of the consolidated financial statements respectively.</p> <p>The impairment charge for investments in Associates represents 11% of the consolidated loss before taxation from continuing operations. The combined impairment charge was more than the company only loss before taxation from continuing operations.</p> <p>As disclosed on note 18.1 the determination of the impairment of investment in Associates involved the assessment of profitability and future economic outlook of the Associate that was impaired.</p> <p>The directors conduct annual impairment tests to assess the recoverability of the carrying value of investments in subsidiaries using discounted cash flow models.</p> <p>As disclosed in note 6 and note 17 to the consolidated financial statements, there are a number of critical accounting judgements made and key sources of estimation in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> <li>• Growth rates applicable to the subsidiaries based on directors' view of future business prospects,</li> <li>• Estimation of the future cash flows expected to be generated by the subsidiaries, and</li> <li>• The discount rates applied to the projected future cash flows to arrive at the present value.</li> </ul> <p>Accordingly, the determination of the impairment of investments in subsidiaries requires the directors' significant judgement and estimations and we therefore considered it to be a key audit matter.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• We engaged our internal fair value specialists to assist with: <ul style="list-style-type: none"> <li>○ Assessing the methodology used in preparing the impairment testing model;</li> <li>○ Critically evaluating whether the model used by the directors to calculate the recoverable values of the subsidiaries and Associates and whether it complies with the requirements of <i>IAS 36, Impairment of Assets</i>; and</li> <li>○ Reviewing the assumptions used to calculate the growth and discount rates and assessing these rates for reasonableness.</li> </ul> </li> <li>• Analysed the key assumptions used in the impairment model for investments in subsidiaries, including specifically, the long term growth rates, operating cash flow projections and discount rates. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin.</li> <li>• Analysed the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonableness of the directors' projections.</li> <li>• Subjected the key assumptions to sensitivity analyses.</li> <li>• Tested the integrity and mathematical accuracy of the impairment model and agreeing relevant input data to externally derived data (where applicable) as well as forming our own assessment.</li> <li>• Analysed the reasonableness of the qualitative considerations including business rationale and changes in the market outlook that triggered the impairment;</li> <li>• Analysed the directors' assessments of the profitability, and future outlook of the impaired Associate.</li> </ul> <p>Based on our audit, the judgements made by management are appropriate and the disclosure is in terms of IFRS.</p>

**INDEPENDENT AUDITORS' 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)**

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>2. Impairment of Goodwill</b></p> <p>Goodwill represents consideration paid in excess of the fair value of the net assets of the subsidiaries acquired. As at 31 December 2020, the goodwill balance was Sh 23,367,000 (2020- Sh 1,590,913,000 comprising Sh 339,038,000 held under non-current assets as disclosed in note 20 to the consolidated financial statements and Sh 1,251,875,000 held under non-current assets held for sale as disclosed in note 24 to the consolidated financial statements).</p> <p>As disclosed in note 21 to the financial statements, goodwill of Sh 315,671,000 was impaired during the year (2020 – Nil) This represents 22% of the consolidated loss before tax for the year from continuing operations.</p> <p>As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models.</p> <p>As disclosed in note 6 to the consolidated financial statements, there are a number of critical accounting judgements made and key sources of estimation in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> <li>• Growth rates applicable to the cash generating units (CGUs) to which goodwill has been allocated based on directors' view of future business prospects,</li> <li>• Estimation of the future cash flows expected to be generated by the CGUs and</li> <li>• The discount rates applied to the projected future cash flows to arrive at the present value.</li> </ul> <p>Accordingly, the determination of the carrying value of goodwill and related impairment test of this asset requires the directors' significant judgement and estimations and we therefore considered it to be a key audit matter.</p>	<p>Our procedures included challenging the directors on the suitability of the impairment model and reasonableness of the assumptions through performing the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We engaged our internal fair value specialists to assist with: <ul style="list-style-type: none"> <li>○ Assessing the methodology used in preparing the impairment testing model;</li> <li>○ Critically evaluating whether the model used by the directors to calculate the value in use of the individual CGUs complies with the requirements of <i>IAS 36, Impairment of Assets; and</i></li> <li>○ Reviewing the assumptions used to calculate the growth and discount rates and assessing these rates for reasonableness.</li> </ul> </li> <li>• Analysed the basis of the impairment of the Sh 315,671,000 and if this was fully supported by the prevailing business environment and cash flow projections from the CGUs</li> <li>• Analysed the key assumptions used in the impairment model for goodwill, including specifically, the long term growth rates, operating cash flow projections and discount rates. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin.</li> <li>• Analysed the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonableness of the directors' projections.</li> <li>• Subjected the key assumptions to sensitivity analyses.</li> <li>• Tested the integrity and mathematical accuracy of the impairment model and agreeing relevant input data to externally derived data (where applicable) as well as forming our own assessment.</li> </ul> <p>Based on our audit, the judgements made by management are appropriate and the disclosure is in terms of IFRS.</p>

**INDEPENDENT AUDITORS' 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)**

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>3. Allegations of gross misconduct after the reporting period</b></p> <p>Subsequent to the year end, the Board of Directors suspended the employment of the Chief Executive Officer and the Chief Finance Officer on 18th February 2021 to allow for an investigation into allegations of gross misconduct and possible offences in their capacity as senior executives and employees of the Company.</p> <p>The investigations were conducted by an internal investigation team supported by an external investigators and supervised by a subcommittee of the Board of Directors.</p> <p>We have identified the allegations as a key audit matter due to the nature of the investigations, the potential impact the findings may have on the consolidated and separate financial statements, the effect on our overall audit approach and the resultant effect to the audit report.</p> <p>The matter has been disclosed on note 36 to the financial statements.</p>	<p>Our response to the allegations involved:</p> <ul style="list-style-type: none"> <li>• Making inquiries of management and those charged with Governance and corroborating results of these inquiries with review of documentation;</li> <li>• Holding discussions with the investigating team and understanding the scope of their work, qualifications and experience of the investigating team and assessing the appropriateness of the teams work to address the fraud scheme identified;</li> <li>• Re-evaluation of our planned controls reliance in all material account balances classes of transactions and disclosures;</li> <li>• Expanding the scope of our substantive audit procedures for specified account balances and transactions that we considered high risk in terms of potential impact of the fraud scheme;</li> <li>• Assessing the impact of the fraud on current year and prior periods' financial statements;</li> <li>• Discussions with internal legal experts in order to ensure that we discharge and fulfil all our regulatory and professional responsibilities, as a result of the findings of the investigating team.</li> <li>• Use of forensic specialist during the engagement in making inquiries of management, reviewing the planned audit response to the fraud and reviewing the audit work done in response to the fraud.</li> </ul> <p>Based on the audit procedures performed, assessed the disclosure of additional related party balances and transactions on note 19, other losses note 10 and Events after balance sheet date note 36 as appropriate.</p>

**Other Information**

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WPP SCANGROUP PLC (Continued)**

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

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

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

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

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

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

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

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

**INDEPENDENT AUDITORS' 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)**

- 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 4 to 9 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 13 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**

**31 August 2021**

# WPP SCANGROUP PLC

## ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

All figures in Sh'000	Notes	CONSOLIDATED		COMPANY	
		2020	2019 restated *	2020	2019 restated *
<b>Continuing operations</b>					
Billings	7	6,341,145	9,282,328	1,106,744	1,558,808
Direct costs		(4,102,166)	(6,409,491)	(1,042,885)	(1,410,414)
Revenue		2,238,979	2,872,837	63,859	148,394
Interest income *	8	204,010	185,203	175,746	149,618
Interest expense *	8	(22,749)	(19,583)	(9,799)	(11,428)
Other income	9	20,231	30,901	1,387,585	610,024
Share of loss in associates	18	(3,208)	(2,222)	(2,112)	(5,616)
Operating and administrative expenses		(3,462,382)	(2,742,291)	(607,970)	(231,283)
Impairment of investment in subsidiaries	17	-	-	(3,363,747)	-
Impairment of investment in associates	18	(158,827)	-	(158,827)	-
Impairment of goodwill	21	(315,671)	-	-	-
Foreign exchange gains / (losses)		45,124	(34,163)	9,102	(6,508)
(Loss) / profit before tax	10	(1,454,493)	290,682	(2,506,163)	653,201
Tax charge	11	(278,035)	(131,890)	(244,656)	(22,882)
(Loss) / profit for the year from continuing operations		(1,732,528)	158,792	(2,750,819)	630,319
<b>Discontinued operations</b>					
(Loss) / profit for the year from discontinued operations	12	(126,682)	332,617	-	-
Net gain on disposal of discontinued operations after tax	26	2,242,028	-	1,971,011	-
Profit / (loss) for the year		382,818	491,409	(779,808)	630,319
Other comprehensive loss					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange difference on translating foreign operations		(25,718)	(29,906)	-	-
Total comprehensive income / (loss) for the year		357,100	461,503	(779,808)	630,319
Profit / (loss) attributable to:					
Shareholders of the holding company		469,258	431,971	(779,808)	630,319
Non-controlling interests		(86,440)	59,438	-	-
		382,818	491,409	(779,808)	630,319
Total comprehensive income / (loss) attributable to:					
Shareholders of the holding company		444,567	408,842	(779,808)	630,319
Non-controlling interests		(87,467)	52,661	-	-
		357,100	461,503	(779,808)	630,319
<b>(Loss) / earnings per share</b>					
From continuing operations					
Basic (Sh)	14	(3.89)	0.34	(6.37)	1.46
Diluted (Sh)	14	(3.89)	0.34	(6.37)	1.46
From continuing and discontinued operations					
Basic (Sh)	14	1.09	1.00	(1.80)	1.46
Diluted (Sh)	14	1.09	1.00	(1.80)	1.46

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

**WPP SCANGROUP PLC**

## ANNUAL REPORT &amp; CONSOLIDATED FINANCIAL STATEMENTS

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

All figures in Sh'000	Notes	CONSOLIDATED		COMPANY	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>ASSETS</b>					
<i>Non-current assets</i>					
Equipment	15	166,881	209,544	78,982	87,436
Right-of-use assets	16	192,904	307,441	83,000	126,846
Investment in subsidiaries	17	-	-	1,579,433	4,943,180
Investments in associates and other equity investment	18	35,114	196,371	-	160,939
Long term loans to related companies	19	88,305	409,644	88,305	495,251
Deferred tax asset	20	488,681	631,392	62,797	263,516
Goodwill	21	23,367	339,038	-	-
		<u>995,252</u>	<u>2,093,430</u>	<u>1,892,517</u>	<u>6,077,168</u>
<i>Current assets</i>					
Trade and other receivables	22	2,890,187	3,618,865	582,932	456,941
Work-in-progress	23	12,218	10,431	-	801
Receivable from related parties	19	107,435	86,030	1,781,288	1,396,266
Tax recoverable	11.3	878,834	735,455	45,712	50,516
Cash, bank and deposit balances	24	3,857,957	2,133,713	2,700,376	870,801
		<u>7,746,631</u>	<u>6,584,494</u>	<u>5,110,308</u>	<u>2,775,325</u>
Assets classified as held for sale		-	4,125,249	-	2,813,814
		<u>7,746,631</u>	<u>10,709,743</u>	<u>5,110,308</u>	<u>5,589,139</u>
<b>TOTAL ASSETS</b>		<b><u>8,741,883</u></b>	<b><u>12,803,173</u></b>	<b><u>7,002,825</u></b>	<b><u>11,666,307</u></b>
<b>EQUITY AND LIABILITIES</b>					
<i>Capital and reserves</i>					
Share capital	27	432,156	432,156	432,156	432,156
Share premium		9,155,166	9,155,166	9,155,166	9,155,166
(Accumulated deficit) / revenue reserve		(4,026,144)	(2,128,152)	(3,545,449)	691,607
Translation deficit		(335,399)	(430,223)	-	-
Equity attributable to shareholders of the holding company		<u>5,225,779</u>	<u>7,028,947</u>	<u>6,041,873</u>	<u>10,278,929</u>
Non-controlling interests		41,742	163,625	-	-
Total equity		<u>5,267,521</u>	<u>7,192,572</u>	<u>6,041,873</u>	<u>10,278,929</u>
<i>Non-current liabilities</i>					
Deferred tax liability	20	1,228	34	-	-
Lease liabilities	28	142,191	255,441	67,922	111,174
		<u>143,419</u>	<u>255,475</u>	<u>67,922</u>	<u>111,174</u>
<i>Current liabilities</i>					
Trade and other payables	29	2,869,115	3,034,913	542,218	533,931
Tax payable	11.3	135,560	87,813	-	-
Payable to related parties	19	178,750	38,270	245,688	685,564
Lease liabilities	28	65,173	61,330	22,779	23,993
Dividends payable	30	82,345	32,716	82,345	32,716
		<u>3,330,943</u>	<u>3,255,042</u>	<u>893,030</u>	<u>1,276,204</u>
Liabilities directly associated with assets classified as held for sale		-	2,100,084	-	-
		<u>3,330,943</u>	<u>5,355,126</u>	<u>893,030</u>	<u>1,276,204</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>8,741,883</u></b>	<b><u>12,803,173</u></b>	<b><u>7,002,825</u></b>	<b><u>11,666,307</u></b>

The financial statements on pages 21 to 77 were approved and authorised for issue by the Board of Directors on 31 August 2021 and were signed on its behalf by:



Richard Omwela  
Director



Pratul Hemraj Shah  
Director

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

<b>All figures in Sh'000</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Accumulated deficit</b>	<b>Translation deficit</b>	<b>Attributable to share holders of the holding company</b>	<b>Non-controlling interests</b>	<b>Total</b>
At 1 January 2019	432,156	9,155,166	(813,799)	(407,094)	8,366,429	122,950	8,489,379
IFRS 16 day 1 transition adjustment	-	-	(17,700)	-	(17,700)	(2,546)	(20,246)
Adjusted balance at 1 January 2019	432,156	9,155,166	(831,499)	(407,094)	8,348,729	120,404	8,469,133
Profit for the year	-	-	431,971	-	431,971	59,438	491,409
Other comprehensive loss	-	-	-	(23,129)	(23,129)	(6,777)	(29,906)
Dividend declared - 2018	-	-	(1,728,624)	-	(1,728,624)	(9,440)	(1,738,064)
At 31 December 2019	<b>432,156</b>	<b>9,155,166</b>	<b>(2,128,152)</b>	<b>(430,223)</b>	<b>7,028,947</b>	<b>163,625</b>	<b>7,192,572</b>
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	<b>432,156</b>	<b>9,155,166</b>	<b>(4,026,144)</b>	<b>(335,399)</b>	<b>5,225,779</b>	<b>41,742</b>	<b>5,267,521</b>

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
- Transition adjustment related to IFRS 16 which required the Group to recognise an equity adjustment on the lease asset as at 1 January 2019.



**WPP SCANGROUP PLC**

## ANNUAL REPORT &amp; CONSOLIDATED FINANCIAL STATEMENTS

**COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>All figures in Sh'000</b>	<b>Share capital</b>	<b>Share premium account</b>	<b>Revenue reserve / (accumulated deficit)</b>	<b>Total</b>
At 1 January 2019	432,156	9,155,166	1,794,392	11,381,714
IFRS 16 day 1 transition adjustment	-	-	(4,480)	(4,480)
Adjusted balance at 1 January 2019	432,156	9,155,166	1,789,912	11,377,234
Profit for the year	-	-	630,319	630,319
Dividend declared - 2018	-	-	(1,728,624)	(1,728,624)
At 31 December 2019	<b>432,156</b>	<b>9,155,166</b>	<b>691,607</b>	<b>10,278,929</b>
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	<b>432,156</b>	<b>9,155,166</b>	<b>(3,545,449)</b>	<b>6,041,873</b>

- Revenue reserve represent accumulated profits retained by the company after payment of dividend to the shareholders.
- Transition adjustment related to IFRS 16 which required the Company to recognise an equity adjustment on the lease asset as at 1 January 2019.

**WPP SCANGROUP PLC**

## ANNUAL REPORT &amp; CONSOLIDATED FINANCIAL STATEMENTS

**STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020**

All figures in Sh'000	Notes	CONSOLIDATED		COMPANY	
		2020	2019	2020	2019
Net cash (used in) / generated from operating activities	25	(246,832)	635,174	(993,973)	(643,391)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of equipment	15	(34,006)	(164,056)	(21,463)	(11,722)
Proceeds from sale of equipment		8,176	5,617	3,894	231
Fixed deposits (maturing after 3 months)	24	(1,916,726)	-	(1,916,726)	-
Dividend received		-	-	1,381,365	589,660
Disposals of subsidiaries	26	4,338,557	-	4,784,825	-
Interest income received net of tax		110,012	203,733	87,594	163,811
Net cash generated from investing activities		<u>2,506,013</u>	<u>45,294</u>	<u>4,319,489</u>	<u>741,980</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Loans repaid from related company		9,017	-	9,017	7,328
Loans advanced to a related companies		-	(98,717)	(56,702)	(98,717)
Dividends paid including tax on dividend		(3,431,246)	(1,722,443)	(3,407,619)	(1,709,963)
Repayment of lease liabilities	28	(82,986)	(88,468)	(33,321)	(31,620)
Interest paid		(351)	(16,026)	(291)	(220)
Net cash used in financing activities		<u>(3,505,566)</u>	<u>(1,925,654)</u>	<u>(3,488,916)</u>	<u>(1,833,192)</u>
Net decrease in cash and cash equivalents		<u>(1,246,385)</u>	<u>(1,245,186)</u>	<u>(163,400)</u>	<u>(1,734,603)</u>
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>					
At the beginning of the year		2,123,944	4,377,820	862,533	2,597,136
Cash and cash equivalents reclassified as held for sale		996,319	(996,319)	-	-
Net decrease during the year		(1,246,385)	(1,245,186)	(163,400)	(1,734,603)
Effect of fluctuations in exchange rates		(19,018)	(12,371)	-	-
Cash and cash equivalents at end of the year	24	<u>1,854,860</u>	<u>2,123,944</u>	<u>699,133</u>	<u>862,533</u>

**NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS**

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**1. STATEMENT OF COMPLIANCE**

The consolidated financial statements of WPP Scangroup PLC and its subsidiaries (the Group) for the year ended 31 December 2020 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 revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

The significant accounting policies adopted remain unchanged from the previous year unless mentioned otherwise. The consolidated financial statements are presented in Kenya Shillings and all values are rounded to the nearest thousand (Sh000), 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 2020. 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 into line with the Group's accounting policies.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****4.1. Business combinations and Goodwill**

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

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

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

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****4.1 Business combinations and Goodwill (Continued)**

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

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

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

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

**4.2. Investments in associates**

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

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

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

**4.3. Revenue recognition**

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 clients, 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. For most fee arrangements, costs incurred are used as an objective input measure of performance. The primary input of substantially all work performed under these arrangements is labour. 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 amount of revenue recognised depends on whether we act as an agent or as a principal. Certain arrangements with our clients are such that our responsibility is to arrange for a third party to provide a specified good or service to the client. In these cases we are acting as an agent as we do not control the relevant good or service before it is transferred to the client. When we act as an agent, the revenue recorded is the net amount retained. Costs incurred with external suppliers (such as production costs and media suppliers) are excluded from revenue and recorded as work in progress until billed. The Group acts as principal when we control the specified good or service prior to transfer. When the Group acts as a principal (such as in-house production services, events, data investment management and branding), the revenue recorded is the gross amount billed. Billings 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 commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client. Revenue for commissions on purchased media is typically recognised at the point in time the media is run.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****4.3 Revenue recognition (Continued)**

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****4.5. Equipment****4.5.1. Recognition and measurement**

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

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

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

**4.5.2. Depreciation**

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

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

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

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

**4.5.3. Impairment**

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

**4.6. Taxation**

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

**4.6.1. Current tax**

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



**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****4.6. Taxation (continued)****4.6.2. Deferred tax**

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

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

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

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

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

**4.6.3. Current and Deferred Tax for the year**

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

**4.7. Leases****The Group 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.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## 4.7 Leases (Continued)

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.
- 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 comprise 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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 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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****4.9 Financial instruments (Continued)***Financial assets*

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

*(i) Classification of financial assets*

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

*(ii) De-recognition*

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

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****4.9 Financial instruments (Continued)****Financial assets (Continued)***(iii) Offsetting of financial assets and liabilities*

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

**4.10. Impairment***(i) Financial assets*

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

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

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

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

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

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

*ii) Non-financial assets*

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

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****4.10. Impairment (Continued)****ii) Non-financial assets (Continued)**

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

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

**4.11 Financial liabilities**

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

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

*Financial liabilities at FVTPL*

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 8) in profit or loss.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****4.11 Financial liabilities (continued)**

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

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

*Financial liabilities measured subsequently at amortised cost*

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

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

**4.12 Employee benefits****4.12.1 Retirement benefits costs and termination benefits**

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

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

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

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

**4.12.2 Short-term and other long-term employee benefits**

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

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

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND (Continued)****4.13 Share-based payment arrangements**

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

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

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

**4.14. 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.

**5 Adoption of new and revised International Financial Reporting Standards (IFRSs)****(i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2020***

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.



**5. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)****(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2020 (continued)**

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

***Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.***

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Group given that it does not have hedge accounting.

***Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16***

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides 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. 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 the same way it would account for the change applying IFRS 16 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:

- a) 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;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease

In the current financial year, the Group has not applied the practical expedient included in the amendment to IFRS 16 (as issued by the IASB in May 2020). There were no Covid-19 related rent concessions in the current year and therefore the Group has not applied the amendments.

**5. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)****(i) *Relevant new standards and amendments to published standards effective for the year ended 31 December 2020 (continued)******Amendments to References to the Conceptual Framework in IFRS Standards***

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

***Amendments to IFRS 3 Definition of a business***

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

***Amendments to IAS 1 and IAS 8 Definition of material***

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

**5. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)****(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2020 (continued)**

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

IFRS 10 and IAS 28 (amendments)	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

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

***Amendments to IFRS 10 and IAS 28 – 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.

**5. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)****(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)**

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 – Classification of Liabilities as Current or Non-current***

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.

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

***Amendments to IFRS 3 – 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.

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.

The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary

***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.

**5. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)*****(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)***

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.

The Directors of the Group are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary

***Annual Improvements to IFRS Standards 2018–2020***

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.

**5. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)****(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)**

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.

**(iii) Early adoption of standards**

The Group did not early-adopt any new or amended standards in 2020.

**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.

Covid-19 has had the most significant impact on the below areas of estimation uncertainty.

Impairment of goodwill

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

Given the Covid-19 pandemic, impairment indicators such as a decline in revenue forecasts and a decline in the global economy and the advertising industry were identified in 2020. As such the Group performed impairment tests over goodwill and intangible assets with indefinite useful lives. In performing the impairment tests, estimates are required in regard to discount rates, long term growth rates and the level of cash flows during the five-year projection period, which involves judgement on the duration and shape of the recovery from Covid-19. Refer to Note 21 for detailed assumptions.

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 and in associates

The Company assesses the carrying value of its investment in subsidiaries and the Group assesses the carrying value of its associates undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Group 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.

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)**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. BILLINGS**

The Group and Company's billings are derived in the following markets:

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Kenya (including export sales)	4,468,537	6,969,108	1,106,744	1,558,808
Rest of Africa				
Uganda	367,378	448,569	-	-
Tanzania	383,045	416,496	-	-
South Africa	146,418	167,051	-	-
Ghana	573,048	919,289	-	-
Nigeria	120,661	100,592	-	-
Others	282,058	261,223	-	-
	<u>6,341,145</u>	<u>9,282,328</u>	<u>1,106,744</u>	<u>1,558,808</u>

**WPP SCANGROUP PLC**

## ANNUAL REPORT &amp; CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**8. INTEREST INCOME AND INTEREST EXPENSE**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
<b>Interest Income</b>				
Interest on deposits	192,573	174,381	155,599	122,962
Interest on related party loan	11,341	10,546	20,073	26,433
Other interest	96	276	74	223
	<u>204,010</u>	<u>185,203</u>	<u>175,746</u>	<u>149,618</u>
<b>Interest Expense</b>				
Interest expense on bank overdraft	351	261	291	220
Interest on lease liabilities	22,398	19,322	9,508	11,208
	<u>22,749</u>	<u>19,583</u>	<u>9,799</u>	<u>11,428</u>

**9. OTHER INCOME**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Profit on disposal of assets	-	134	-	-
Gain on modification of lease	6,970	-	3,311	-
Bad debt recovery	1,918	-	-	-
Cash discount	6,038	13,855	1,811	3,779
Dividend income from subsidiaries	-	-	1,381,365	589,660
Miscellaneous income	5,305	16,912	1,098	16,585
	<u>20,231</u>	<u>30,901</u>	<u>1,387,585</u>	<u>610,024</u>



**WPP SCANGROUP PLC**

## ANNUAL REPORT &amp; CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**10. (LOSS) / PROFIT BEFORE TAX**

The (loss) / profit before tax is arrived at after charging:  All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019 restated **	2020	2019
Staff costs				
- Salaries and wages	1,890,524	1,837,477	456,268	413,908
- Social security	70,203	70,311	10,025	11,402
- Medical expenses	65,808	63,512	20,056	19,657
- Leave pay	11,770	19,190	(855)	1,522
- Other staff costs	321,278	85,137	13,209	60,385
	<u>2,359,583</u>	<u>2,075,627</u>	<u>498,703</u>	<u>506,874</u>
Depreciation	66,168	128,649	23,926	22,751
Depreciation of right-of-use assets	71,445	69,281	26,504	24,925
Provision of bad and doubtful loan receivables from related company	306,880	-	457,390	-
Loss allowance (net of reversals) *	450,701	96,282	358	(10,959)
Auditors' remuneration	21,464	21,059	2,585	2,585
Other costs and losses **	4,804	15,759	-	-
Directors' remuneration				
non-executive directors' fees	8,208	8,381	2,724	3,400
non- executive directors' emoluments	10,780	4,300	10,780	4,300
executive directors' emoluments	117,247	99,355	117,247	99,355
	<u>2,359,583</u>	<u>2,075,627</u>	<u>498,703</u>	<u>506,874</u>

\* The significant increase in loss allowance is due to a provision of Sh 329m relating to an overdue amount from a parastatal client. Provision of bad and doubtful loan receivables from related party mainly relates to our associates.

\*\*Costs incurred and accounted for as part of operating and administrative expenses but lacking adequate supporting documentation to justify them as business expenses. This has also affected the amounts previously reported as disclosed. Please refer to Note 36 for details of the investigation.

**11. TAXATION****11.1. Tax expense**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Current taxation based on the adjusted profit				
For companies at 30% (company 25%) (2019: 30%)	58,366	153,607	43,937	44,885
For companies charged at different rates	72,155	50,413	-	-
Prior year under provision	(7,441)	254	-	-
	<u>123,080</u>	<u>204,274</u>	<u>43,937</u>	<u>44,885</u>
Deferred tax				
- current year charge / (credit) (Note 20)	168,463	(89,283)	200,719	(22,003)
- prior year (over) / under provision	(13,508)	16,899	-	-
	<u>154,955</u>	<u>(72,384)</u>	<u>200,719</u>	<u>(22,003)</u>
	<u>278,035</u>	<u>131,890</u>	<u>244,656</u>	<u>22,882</u>

**11. TAXATION (CONTINUED)****11.2. Reconciliation of expected tax based on accounting (loss) / profit to tax expense**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Accounting (loss) / profit before taxation (for continuing operations)	(1,454,493)	290,682	(2,506,163)	653,201
Tax at the applicable rate of 30% (company 25%) (2019: 30%)	(363,623)	87,205	(626,541)	195,960
Effect of expenses not deductible for tax purposes	310,571	40,571	1,080,734	8,364
Effect of companies charged at different rates	(106,214)	(16,079)	-	-
Effect of income not taxable	-	-	(414,410)	(181,442)
Deferred tax asset on provision for tax losses carried forward	452,393	-	204,873	-
Tax paid on intercompany dividend income	5,857	3,040	-	-
Prior years under provision-deferred tax	(13,508)	16,899	-	-
Prior years under provision-income tax	(7,441)	254	-	-
	<u>278,035</u>	<u>131,890</u>	<u>244,656</u>	<u>22,882</u>

**11.3. Movement in net of tax recoverable and tax payable**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
At beginning of year	647,642	637,170	50,516	21,522
Tax paid	320,473	634,571	59,664	73,879
Charge for the year on continued operations	(123,080)	(204,274)	(43,937)	(44,885)
Tax on capital gain on discontinued operations	(51,349)	-	(20,531)	-
Tax on discontinued operations	(40,379)	(206,589)	-	-
Reclassified as held for sale	-	(199,645)	-	-
Effect of exchange rate difference	(10,033)	(13,591)	-	-
At the end of the year	<u>743,274</u>	<u>647,642</u>	<u>45,712</u>	<u>50,516</u>
Breakup of net tax recoverable				
Tax recoverable	878,834	735,455	45,712	50,516
Tax payable	(135,560)	(87,813)	-	-
	<u>743,274</u>	<u>647,642</u>	<u>45,712</u>	<u>50,516</u>

**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 (loss) / profit for the year, are as follows:

<b>All figures in Sh'000</b>	<b>2020</b>	<b>2019</b>
Billings	1,035,123	3,298,158
Direct costs	<u>(437,822)</u>	<u>(1,099,281)</u>
Revenue	597,301	2,198,877
Interest expense	(6,467)	(3,566)
Other income	10,737	1,956
Operating and administrative expenses	(740,509)	(1,661,993)
Foreign exchange gain	<u>52,635</u>	<u>9,207</u>
(Loss) / profit before tax	(86,303)	544,481
Tax charge	<u>(40,379)</u>	<u>(211,864)</u>
(Loss) / profit for the year	<u><u>(126,682)</u></u>	<u><u>332,617</u></u>
(Loss) / profit attributable to:		
Shareholders of the holding company	(93,420)	286,068
Non-controlling interests	(33,262)	46,549

During the year, Kantar operations contributed Sh 305m (2019: 523m) to the Group's net operating cash flows, paid Sh 34m (2019: 30m) in respect of investing activities and paid Sh 22m (2019: 8m) in respect of financing activities.

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

**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 billings contribution per region.

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

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### 13 SEGMENTAL REPORTING (Continued)

#### Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment in 2020:

#### All figures in Sh'000

Income statement	Continuing operations							(Loss) / profit after tax from discontinued operations	Net gain on disposal of discontinued operations	Profit after tax and discontinued operations
	Segment billings	Segment operating (loss) / profit	Share of Interest (loss) / profit of associates	Interest income (net of expense)	Other gain and losses	(Loss) / profit before tax	Tax charge			
2020										
Kenya	4,468,538	(1,239,013)	(2,112)	153,258	55,983	(1,031,884)	(108,090)	(63,297)	1,971,011	767,740
Rest of Africa	1,872,607	15,610	(1,096)	28,003	(465,126)	(422,609)	(169,945)	(63,385)	271,017	(384,922)
	<u>6,341,145</u>	<u>(1,223,403)</u>	<u>(3,208)</u>	<u>181,261</u>	<u>(409,143)</u>	<u>(1,454,493)</u>	<u>(278,035)</u>	<u>(126,682)</u>	<u>2,242,028</u>	<u>382,818</u>
2019										
Kenya	6,969,108	15,318	(5,616)	147,770	11,189	168,661	(73,384)	132,853	-	228,130
Rest of Africa	2,313,220	115,228	3,394	17,850	(14,451)	122,021	(58,506)	199,764	-	263,279
	<u>9,282,328</u>	<u>130,546</u>	<u>(2,222)</u>	<u>165,620</u>	<u>(3,262)</u>	<u>290,682</u>	<u>(131,890)</u>	<u>332,617</u>	<u>-</u>	<u>491,409</u>

- Other gain and losses include impairment of investment in associate for Sh 159m and impairment of goodwill Sh 316m.

#### All figures in Sh'000

Segment assets	2020	2019
Kenya	6,213,563	6,706,339
Rest of Africa	2,528,320	1,971,585
	<u>8,741,883</u>	<u>8,677,924</u>
Assets relating to discontinued operations	-	4,125,249
Consolidated assets	<u>8,741,883</u>	<u>12,803,173</u>

Other segment information	Depreciation and amortisation		Additions to non-current assets	
	2020	2019	2020	2019
Kenya	90,109	72,498	24,783	150,341
Rest of Africa	47,504	33,889	15,585	3,494
	<u>137,613</u>	<u>106,387</u>	<u>40,368</u>	<u>153,835</u>

**14. EARNINGS / (LOSS) PER SHARE**

**14.1. Basic earnings / (loss) per share**

Basic earnings / (loss) 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	
	2020	2019	2020	2019
<b>From continuing and discontinued operations</b>				
Profit / (loss) attributable to shareholders of the holding company (Sh'000)	469,258	431,971	(779,808)	630,319
Weighted average number of shares (in thousands)	432,156	432,156	432,156	432,156
Basic earnings / (loss) per share (Sh)	1.09	1.00	(1.80)	1.46
<b>From continuing operations</b>				
(Loss) / profit attributable to shareholders of the holding company (Sh'000)	(1,679,350)	145,903	(2,750,819)	630,319
Weighted average number of shares (in thousands)	432,156	432,156	432,156	432,156
Basic (loss) / earnings per share (Sh)	(3.89)	0.34	(6.37)	1.46
<b>From discontinued operations</b>				
Profit attributable to shareholders of the holding company (Sh'000)	2,148,608	286,068	1,971,011	-
Weighted average number of shares (in thousands)	432,156	432,156	432,156	432,156
Basic earnings per share (Sh)	4.97	0.66	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 2020 and 31 December 2019 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 Sh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
<b>COST</b>				
At 1 January 2019	987,255	125,669	598,385	1,711,309
Additions	85,942	9,594	68,520	164,056
Disposals	(27,468)	(20,057)	(40,103)	(87,628)
Reclassified as held for sale	(484,930)	(43,991)	(256,575)	(785,496)
Exchange rate adjustment *	(9,548)	(3,352)	(11,037)	(23,937)
At 31 December 2019	<u>551,251</u>	<u>67,863</u>	<u>359,190</u>	<u>978,304</u>
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	<u>586,263</u>	<u>58,124</u>	<u>344,706</u>	<u>989,093</u>
<b>DEPRECIATION</b>				
At 1 January 2019	842,807	98,062	408,827	1,349,696
Charge for the year	78,491	8,746	41,412	128,649
Elimination on disposals	(23,032)	(19,203)	(32,348)	(74,583)
On assets reclassified as held for sale	(400,865)	(39,436)	(175,354)	(615,655)
Exchange rate adjustment *	(8,688)	(2,404)	(8,255)	(19,347)
At 31 December 2019	<u>488,713</u>	<u>45,765</u>	<u>234,282</u>	<u>768,760</u>
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	<u>521,484</u>	<u>43,943</u>	<u>256,785</u>	<u>822,212</u>
<b>NET BOOK VALUE</b>				
At 31 December 2020	<u>64,779</u>	<u>14,181</u>	<u>87,921</u>	<u>166,881</u>
At 31 December 2019	<u>62,538</u>	<u>22,098</u>	<u>124,908</u>	<u>209,544</u>

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

At 31 December 2020, equipment with a cost of Sh 225,432,000 (2019 – Sh 150,689,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been Sh 52,240,000 (2019 – Sh 37,663,000).

**15.2. Equipment – Company**

All figures in Sh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
<b>COST</b>				
At 1 January 2019	302,837	37,946	82,743	423,526
Additions	2,797	6,815	2,110	11,722
Disposals	(489)	-	(1,106)	(1,595)
At 31 December 2019	<u>305,145</u>	<u>44,761</u>	<u>83,747</u>	<u>433,653</u>
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	<u>325,422</u>	<u>38,756</u>	<u>76,937</u>	<u>441,115</u>
<b>DEPRECIATION</b>				
At 1 January 2019	258,331	24,605	41,501	324,437
Charge for the year	13,910	3,613	5,228	22,751
Elimination on disposals	(330)	-	(641)	(971)
At 31 December 2019	<u>271,911</u>	<u>28,218</u>	<u>46,088</u>	<u>346,217</u>
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	<u>286,913</u>	<u>27,318</u>	<u>47,902</u>	<u>362,133</u>
<b>NET BOOK VALUE</b>				
At 31 December 2020	<u>38,509</u>	<u>11,438</u>	<u>29,035</u>	<u>78,982</u>
At 31 December 2019	<u>33,234</u>	<u>16,543</u>	<u>37,659</u>	<u>87,436</u>

At 31 December 2020, equipment with a cost of Sh 49,871,000 (2019 – Sh 33,777,000) had been fully depreciated. The annual depreciation charge in respect of these assets would have been Sh 14,300,000 (2019 – Sh 9,471,000).

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## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**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 Sh'000**

<b>COST</b>	<b>Buildings</b>			
	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
At 1 January as previously reported	401,787	-	170,734	-
Day one adjustment on adoption of IFRS 16	-	318,914	-	165,564
At 1 January 2019 – restated	401,787	318,914	170,734	165,564
Additions/lease asset recognized	6,362	126,829	-	5,170
Reclassified as held for sale	-	(41,011)	-	-
Modification in lease during the year *	(50,842)	-	(17,342)	-
Exchange rate adjustment **	3,936	(2,945)	-	-
At 31 December	<u>361,243</u>	<u>401,787</u>	<u>153,392</u>	<u>170,734</u>
<b>DEPRECIATION</b>				
At 1 January as previously reported	94,346	-	43,888	-
Day one adjustment on adoption of IFRS 16	-	44,980	-	18,963
At 1 January 2019 – restated	94,346	44,980	43,888	18,963
Charge for the year	71,445	69,281	26,504	24,925
On assets reclassified as held for sale	-	(19,752)	-	-
Exchange rate adjustment **	2,548	(163)	-	-
At 31 December	<u>168,339</u>	<u>94,346</u>	<u>70,392</u>	<u>43,888</u>
<b>NET BOOK VALUE</b>				
At 31 December	<u>192,904</u>	<u>307,441</u>	<u>83,000</u>	<u>126,846</u>

\* 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.



**WPP SCANGROUP PLC**

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## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**17. INVESTMENT IN SUBSIDIARIES**

	2020		2019	
	%	Sh'000	%	Sh'000
Ogilvy Kenya Limited	100%	313,534	100%	1,866,659
Ogilvy Africa Limited	100%	540,160	100%	1,494,001
O&M Africa B.V.	100%	309,370	100%	671,911
Scangroup Mauritius Holding Limited	100%	209,934	100%	209,934
Hill & Knowlton East Africa Limited	100%	108,845	100%	245,123
Ogilvy Tanzania Limited	100%	-	100%	135,912
Squad Digital Limited	75.5%	-	75.5%	119,962
GroupM Africa Limited	100%	64,550	100%	84,542
Scanad Kenya Limited	100%	-	100%	40,000
Scanad East Africa Limited	100%	-	100%	31,500
Scanad Africa Limited	100%	15,000	100%	15,000
Scangroup (Mauritius) Limited	100%	-	100%	10,006
J.Walter Thompson Kenya Limited	90%	18,000	90%	18,000
MEC Africa Limited	100%	-	100%	550
Media Compete East Africa Limited	100%	-	100%	40
Grey East Africa Limited	100%	40	100%	40
		<u>1,579,433</u>		<u>4,943,180</u>

**Movement in investment in subsidiaries**

All figures in Sh'000	2020	2019
At the beginning of year	4,943,180	7,756,994
Impaired during the year	(3,363,747)	-
Reclassified as held for sale	-	(2,813,814)
At the end of the year	<u>1,579,433</u>	<u>4,943,180</u>

During 2020, 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 2020 for the Company's subsidiaries, mainly resulting from Covid-19, the Company determined that an impairment provision was required in respect of a number of investments. Accordingly, impairment provisions totalling Sh 3,364m 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 5% for five years projections. Management has used a pre-tax discount rate of 14% to management forecasts for a period of up to five-years followed by an assumed long-term growth rate of 5.4%.

In developing the cash flows, we considered the impact of the Covid-19 pandemic to our businesses and adjusted projected revenue less pass-through costs and operating margins in 2020 and/or 2021 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 2020, we have assessed long-term industry trends based on recent historical data including the long-term impact of Covid-19 and assumed a long-term growth rate of 5.4%. Management have made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

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#### NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

##### 17 INVESTMENT IN SUBSIDIARIES (Continued)

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

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

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

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

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

##### **Summarised financial information on subsidiaries with material non-controlling interest**

The summarised financial information below represents amounts before intragroup eliminations.

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### NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

#### 17 INVESTMENT IN SUBSIDIARIES (Continued)

All figures in Sh'000	Squad Digital Limited		J W Thompson Kenya Limited	
	2020	2019	2020	2019
<b>As at 31 December</b>				
Assets	316,269	907,487	273,675	490,210
Liabilities	378,917	847,332	97,922	304,795
Equity attributable to the owners of the company	(47,299)	45,417	158,178	166,874
Non-controlling interest	24.5%	24.5%	10%	10%
Billings	303,698	582,796	202,365	226,634
Expenses	(472,817)	(667,141)	(214,324)	(202,031)
Profit / (loss) before tax for the year	(169,119)	(84,345)	(11,959)	24,603
Profit / (loss) attributable to the owners of the company	(154,703)	(43,913)	(7,958)	15,022
Profit / (loss) attributable to non-controlling interest	(50,202)	(14,250)	(884)	1,669
Profit / (loss) after tax for the year	(204,905)	(58,163)	(8,842)	16,691
Net cash inflow / (outflow) from operating activities	17,466	8,659	(13,561)	17,238
Net cash inflow / (outflow) from investing activities	546	(4,037)	974	261
Net cash outflow from financing activities	-	(5)	-	(2)
Net cash inflow / (outflow)	18,012	4,617	(12,587)	17,497

#### 18. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS

##### 18.1 Investments in Associates

At 31 December 2020 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.

The movement in investment in associate companies is as follows:

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
At the beginning of year	196,371	197,781	160,939	166,555
Share of loss in associates	(3,208)	(2,222)	(2,112)	(5,616)
Impairment of investment in associates	(158,827)	-	(158,827)	-
Exchange rate adjustment	778	812	-	-
At the end of the year	35,114	196,371	-	160,939

## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**18.1 Investments in Associates (Continued)**

The impairment of investment in associates relates to First Primus West Africa. Limited. Due to uncertainty regarding the future profitability and future net cash flows resulting from a deterioration in the economic outlook, mainly resulting from Covid-19, the Company determined that an impairment provision of Sh 158,827,000 be made during the year. The balance at the end of the year of Sh 35,114,000 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:

<b>Associate Companies</b>	<b>Country</b>	<b>% shares</b>
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 Group has not been able to obtain financial information relating to the above entities for some time and all efforts by the Group to obtain any information from these entities has been to no avail. The Group has therefore not been able to equity account for their results as required by International Accounting Standard No 28 (IAS28). In view of the lack of any financial information related to these companies (and no dividend returns) and on grounds of prudence, the cost of acquisition has been fully provided in prior periods. The Group will pursue the matter legally on obtaining information and will also review its options with regard to these investments.

**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.

**19. RELATED PARTIES (Continued)**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019 restated **	2020	2019 restated **
<b>Balances recoverable from related parties</b>				
<i>Due after one year</i>				
Loans recoverable from various related companies *	88,305	409,644	88,305	495,251
	<u>88,305</u>	<u>409,644</u>	<u>88,305</u>	<u>495,251</u>
<i>Due within one year</i>				
Current receivables from various subsidiaries	-	-	1,781,288	1,396,266
Current receivables from fellow subsidiaries	107,435	86,030	-	-
	<u>107,435</u>	<u>86,030</u>	<u>1,781,288</u>	<u>1,396,266</u>
<i>Balances payable to related parties</i>				
Other related parties **	-	6,692	-	-
Various subsidiaries	-	-	245,688	685,564
Current payables to fellow subsidiaries	178,750	31,578	-	-
	<u>178,750</u>	<u>31,578</u>	<u>-</u>	<u>-</u>
<b>Transactions with related parties</b>				
Sale of services	274,547	476,352	732,262	758,189
Purchase of services **	40,668	151,121	139,055	349,454
Interest on related party loan	11,341	10,546	20,073	26,433
Remuneration of directors and key management compensation	136,235	112,036	130,751	107,055
Directors' remuneration - Executive directors' emoluments (included in key management compensation above)	117,247	99,355	117,247	99,355

\* The long term loan recoverable is from First Primus West Africa Limited of Sh 88.31million. It is denominated in Nigeria Naira (NGN) and the equivalent amount at the end of the year 2020 is of NGN 322.28million. It is secured by first priority floating charge over the borrower's properties and attract interest at 9% per annum.

\*\*Transactions and balances with related parties in 2019 have been restated to include transactions and balances with Pop Server (Kenya) Limited (purchases 2020; Sh 3,750,000; 2019: Sh 5,000,000 for both Group and Company), Sequel Holdings Ltd (purchases 2020: Sh 13,619,756; 2019: Sh 18,676,588, payables 2020: nil; 2019: Sh 6,692,464) and Dimension Data Solutions East Africa Limited (purchases 2020: Sh 14,674,480; 2019: Sh 19,031,000 for both Group and Company) which had not been included in the amounts reported in the 2019 annual financial statements. These companies are related to the Group by virtue of common ownership and / or directorships. These transactions were made on terms agreed between the parties.

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

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
At the beginning of year	409,644	314,256	495,251	414,189
Loans repaid	(9,017)	-	(9,017)	(7,328)
Loans advanced	-	98,717	56,702	98,717
Provision for bad and doubtful loan	(306,880)	-	(457,390)	-
Exchange rate adjustment	(5,442)	(3,329)	2,759	(10,327)
At the end of the year	<u>88,305</u>	<u>409,644</u>	<u>88,305</u>	<u>495,251</u>

During the year a provision of KSH 306.88m provided against a loan to given to associate. In the company statement of financial position a provision made against a long term loan recoverable from a subsidiary, Scanad Tanzania Limited of Sh 151m.

**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:

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
(Accelerated capital allowances) / excess depreciation	7,178	533	(1,088)	(3,903)
Unrealised exchange (gains) / losses	(9,697)	12,973	(4,113)	2,471
Tax losses carried forward	147,266	414,618	49,744	247,644
Provisions	342,706	203,234	18,254	17,304
	<u>487,453</u>	<u>631,358</u>	<u>62,797</u>	<u>263,516</u>
<i>Movement in deferred tax account is as follows</i>				
At beginning of period – asset	631,358	716,710	263,516	241,513
(Charge) / credit for the year	(168,463)	89,283	(200,719)	22,003
Charge on discontinued operations	-	(5,275)	-	-
Prior year under / (over) provision	13,508	(16,899)	-	-
Reclassified as held for sale	-	(149,920)	-	-
Effect of exchange rates	11,050	(2,541)	-	-
At end of period – asset	<u>487,453</u>	<u>631,358</u>	<u>62,797</u>	<u>263,516</u>
<i>Breakup of deferred tax asset and liability</i>				
Deferred tax asset	488,681	631,392	62,797	263,516
Deferred tax liability	(1,228)	(34)	-	-
	<u>487,453</u>	<u>631,358</u>	<u>62,797</u>	<u>263,516</u>

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.

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 Sh 493,700,000 (2019: Sh 1,380,368,000) for the Group and Sh 165,812,000 (2019: Sh 825,480,000) for the company. Tax losses of Sh 399.8 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.

<b>All figures in Sh'000</b>	<b>2020</b>	<b>2019</b>
<i>Cost and carrying value as at the end of</i>		
O&M Africa B.V.	-	152,929
GroupM Africa Limited	-	83,548
Ogilvy Kenya Limited	-	79,194
Hill+Knowlton Strategies (South Africa) Pty Ltd	23,367	23,367
Total	<u>23,367</u>	<u>339,038</u>

During the year an impairment loss of Sh 315,671,000 (2019: Nil) has been recognised 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 values of goodwill are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The goodwill impairment review is undertaken annually on 31 December. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate and no assumed improvement in operating margin. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

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 0.1% to 5% for five years projections. Management has used a pre-tax discount rate of 14% to management forecasts for a period of up to five-years followed by an assumed long-term growth rate of 5.4%.

In developing the cash flows, we considered the impact of the Covid-19 pandemic to our businesses and adjusted projected revenue less pass-through costs and operating margins in 2020 and/or 2021 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 2020, we have assessed long-term industry trends based on recent historical data including the long-term impact of Covid-19 and assumed a long-term growth rate of 5.4%. Management have made the judgement that the long-term growth rate does not exceed the long-term average growth rate for the industry.

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

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#### 21 GOODWILL (Continued)

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 Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Trade receivables	2,857,548	3,406,894	538,385	292,812
Less: Loss allowance	(1,032,730)	(568,439)	(1,005)	(647)
	<u>1,824,818</u>	<u>2,838,455</u>	<u>537,380</u>	<u>292,165</u>
Value Added Tax recoverable	975,053	569,126	23,323	83,226
Staff recoverable	422	4,674	-	3,332
Other receivables and pre-payments	89,894	206,610	22,229	78,218
	<u>2,890,187</u>	<u>3,618,865</u>	<u>582,932</u>	<u>456,941</u>
<u>Movement in loss allowance</u>				
Balance at the beginning of the year	568,439	560,786	647	12,187
Provision for bad debts for the year	474,627	127,200	358	-
Amounts written off during the year as uncollectible	(8,242)	(55,832)	-	(581)
Reversal of provision for bad debts	(23,926)	(30,918)	-	(10,959)
Reclassified as held for sale	-	(21,643)	-	-
Effect of exchange rate movements	21,832	(11,154)	-	-
Balance at the end of the year	<u>1,032,730</u>	<u>568,439</u>	<u>1,005</u>	<u>647</u>

Increase in provision for bad and doubtful debts of Sh 465m includes a provision of Sh 329m relating to an overdue amount from a parastatal client.

#### 23. WORK-IN-PROGRESS

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Work-in-progress	<u>12,218</u>	<u>10,431</u>	<u>-</u>	<u>801</u>

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 Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Cash in hand	587	1,815	585	1,222
Bank balances	738,445	925,105	103,558	78,566
Short term deposits				
- Fixed deposits with banks	738,555	507,646	587,925	404,883
- Call deposits with banks	377,273	689,576	7,065	377,958
	1,854,860	2,124,142	699,133	862,629
Bank overdrafts	-	(198)	-	(96)
Cash and cash equivalents	1,854,860	2,123,944	699,133	862,533
Fixed deposits with bank (maturing after 3 months)	1,916,726	-	1,916,726	-
Accrued interest on fixed deposits	86,371	9,769	84,517	8,268
	<u>3,857,957</u>	<u>2,133,713</u>	<u>2,700,376</u>	<u>870,801</u>

The effective interest on the fixed deposits for the year ended 31 December 2020 was 7.99% (2019: 8.59%) while the effective interest rate on the call deposits was 7.03% (2019: 7.32%).

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

Currency	2020			2019		
	Amounts equivalent to Ksh'000			Amounts equivalent to Ksh'000		
	Fixed deposits	Call deposits	Total	Fixed deposits	Call deposits	Total
Kenya Shilling	2,387,880	7,065	2,394,945	300,000	377,958	677,958
United States Dollar	116,771	-	116,771	104,883	-	104,883
Ghanaian Cedi	74,400	-	74,400	101,290	-	101,290
South African Rand	-	370,208	370,208	-	297,768	297,768
Ugandan Shilling	-	-	-	-	13,850	13,850
Malawian Kwacha	1,565	-	1,565	1,473	-	1,473
Zambia Kwacha	30,946	-	30,946	-	-	-
Mozambique Meticals	43,719	-	43,719	-	-	-
	<u>2,655,281</u>	<u>377,273</u>	<u>3,032,554</u>	<u>507,646</u>	<u>689,576</u>	<u>1,197,222</u>

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## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

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

<b>All figures in Sh'000</b>	<b>Notes</b>	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit / (loss) for the year		382,818	491,409	(779,808)	630,319
Depreciation on equipment	15	106,794	128,649	23,926	22,751
Depreciation of Right-of-use assets	16	95,833	69,281	26,504	24,925
Loss allowance	22	453,421	96,282	358	(10,959)
Provision of bad and doubtful loan receivables from related company		306,880	-	457,390	-
Interest expense	8	351	16,026	291	220
Tax charge		369,763	343,754	244,656	22,882
Interest on lease liabilities		22,398	22,441	9,508	11,208
Impairment of investment in subsidiaries		-	-	3,363,747	-
Impairment of investment in associates		158,827	-	158,827	-
Share of loss / (profit) in associates		1,097	2,222	2,112	5,616
Impairment of goodwill		315,671	-	-	-
Net exchange loss on long term loan to related companies		5,442	3,329	(2,759)	10,327
Net loss / (gain) on sale of assets		3,285	7,425	2,097	393
Interest income	8	(204,010)	(200,522)	(175,746)	(149,618)
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	-	-	(1,381,365)	(589,660)
<u>Working capital adjustments:</u>					
Decrease / (increase) in trade and other receivables		277,977	877,459	(126,349)	(135,486)
Decrease / (increase) in work-in-progress		(1,787)	63,529	801	3,048
(Decrease) / increase in trade and other payables		(165,798)	(800,935)	8,287	121,061
(Decrease) / increase in related party balances		119,075	112,407	(824,898)	(560,743)
Cash (used in) / generated from operating activities after working capital changes		(961)	1,232,756	(966,743)	(593,716)
Tax paid on operating income		(245,871)	(597,582)	(27,230)	(49,675)
Net cash (used in) / generated from operating activities		(246,832)	635,174	(993,973)	(643,391)

**26. DISPOSAL OF SUBSIDIARIES**

As referred to in note 12, 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 net assets of Kantar operations at the date of disposal were as follows:

**Group**

All figures in Sh'000	30 June 2020	31 December 2019
Equipment	173,809	169,841
Right-of-use assets	11,382	21,259
Attributable goodwill	1,251,875	1,251,875
Deferred tax asset	153,888	154,678
Trade and other receivables	820,826	1,038,017
Receivable from related parties	592,053	270,879
Tax recoverable	193,734	222,381
Cash, bank and deposit balances	1,254,823	996,319
Deferred tax liability	(7,387)	(4,758)
Lease liabilities	(15,857)	(29,140)
Loan payable to a related party	(525,097)	(499,424)
Trade and other payables	(1,202,306)	(829,484)
Tax payable	(1,354)	(22,736)
Payable to related parties	(541,904)	(714,542)
Net assets	<u>2,158,485</u>	<u>2,025,165</u>

**Company**

All figures in Sh'000	30 June 2020	31 December 2019
Investment in subsidiaries	2,813,814	2,813,814

**26 DISPOSAL OF SUBSIDIARIES (Continued)**

All figures in Sh'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	<u>2,141,839</u>	<u>2,813,814</u>
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	<u>5,679,204</u>	<u>4,837,970</u>
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)
	<u>4,338,557</u>	<u>4,784,825</u>

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**27. SHARE CAPITAL**

<b>All figures in Sh'000</b>	<b>2020</b>	<b>2019</b>
Authorised share capital:		
Ordinary shares 500,000,000 (2019: 500,000,000) of Sh 1 each	500,000	500,000
Issued and fully paid up shares		
Ordinary shares 432,155,985 (2019: 432,155,985) of Sh 1 each	432,156	432,156

**28. LEASE LIABILITIES**

<b>All figures in Sh'000</b>	<b>Buildings</b>			
	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Analysed as:</b>				
Non - Current	142,191	255,441	67,922	111,174
Current	65,173	61,330	22,779	23,993
At 31 December	<u>207,364</u>	<u>316,771</u>	<u>90,701</u>	<u>135,167</u>
The movement in the lease liabilities is as follows:				
At 1 January as previously reported	316,771	-	135,167	-
Adjustment on adoption of IFRS 16	-	287,587	-	150,409
Addition	6,334	126,829	-	5,170
Payment of lease liabilities	(82,986)	(88,468)	(33,321)	(31,620)
Interest on lease liabilities *	22,398	22,441	9,508	11,208
Reclassified as held for sale	-	(29,140)	-	-
Modification in lease **	(57,806)	-	(20,653)	-
Exchange rate adjustment ***	2,653	(2,478)	-	-
At 31 December	<u>207,364</u>	<u>316,771</u>	<u>90,701</u>	<u>135,167</u>
Lease liabilities maturity analysis				
Year 1	65,173	61,330	22,779	23,993
Year 2	46,845	69,840	27,019	28,606
Year 3	52,255	63,498	31,693	33,797
Year 4	27,603	67,087	9,210	39,629
Year 5	15,488	34,046	-	9,142
Year 6	-	20,970	-	-
	<u>207,364</u>	<u>316,771</u>	<u>90,701</u>	<u>135,167</u>

\* Interest on lease liabilities of Sh 22,441,000 (2019) are inclusive of Sh 3,119 related to discontinued operations.

\*\* 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.

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## NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (Continued)

**29. TRADE AND OTHER PAYABLES**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Trade payables	1,859,714	2,525,795	424,735	419,727
Other payables	483,288	425,774	102,796	93,053
Leave pay provision	54,829	60,926	14,687	21,151
Value Added Tax payable	471,284	22,418	-	-
	<u>2,869,115</u>	<u>3,034,913</u>	<u>542,218</u>	<u>533,931</u>
<u>Movement in leave pay provision</u>				
Balance at the beginning of the year	60,926	59,786	21,151	20,151
Provision for leave pay	16,495	37,790	-	1,522
Paid during the year	(18,401)	(32,050)	(5,609)	(522)
Reversals of provision for leave pay	(4,724)	(1,605)	(855)	-
Reclassified as held for sale	-	(2,605)	-	-
Effect of exchange rates	533	(390)	-	-
Balance at the end of the year	<u>54,829</u>	<u>60,926</u>	<u>14,687</u>	<u>21,151</u>

**30. DIVIDENDS PAYABLE**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
At 1 January	32,716	14,055	32,716	14,055
Dividends declared	3,475,018	1,738,064	3,457,248	1,728,624
Dividends paid	<u>(3,425,389)</u>	<u>(1,719,403)</u>	<u>(3,407,619)</u>	<u>(1,709,963)</u>
At 31 December	<u>82,345</u>	<u>32,716</u>	<u>82,345</u>	<u>32,716</u>

Unclaimed dividend amounting to Sh 3million was remitted to Unclaimed Financial Assets Authority during the year (2019: Sh 2.42million).

**31. BANK OVERDRAFTS**

The Company has, for and on behalf of all its subsidiaries, availed a general short term banking facility, incorporating overdrafts, letter of credit and / or guarantee of bank facility of Sh500million and forward exchange contract facility of USD12million from Stanbic Bank Kenya Limited. The utilisation of these facilities are monitored at a group level. The Company is not using the facilities regularly and the maximum amount of the facilities used was Sh 60m on 18<sup>th</sup> Dec 2020. Securities offered for the facilities are as follows:

- (i) A Joint and several debenture over all the present and future moveable and immovable assets of WPP Scangroup PLC and all the subsidiaries in Kenya for an amount of Sh500million.
- (ii) Cross corporate guarantees and indemnities by WPP Scangroup PLC and its subsidiaries in Kenya for an amount of Sh500million.
- (iii) Right of set-off.

**32. CAPITAL COMMITMENTS**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Authorised but not contracted	-	618	-	618
Authorised and contracted	727	362	364	-
	<u>727</u>	<u>980</u>	<u>364</u>	<u>618</u>

Capital commitments relates to purchase of IT equipment.

**33. CONTINGENT LIABILITIES**

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Pending claims	177,847	100,630	-	181
Guarantees	13,232	5,863	13,032	4,863
	<u>191,079</u>	<u>106,493</u>	<u>13,032</u>	<u>5,044</u>

These pending claims against the Group by various parties, principally relates 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. However, based on the legal advice received, the directors' do not expect any significant liability to arise from these pending matters.

**34. RISK MANAGEMENT POLICIES**

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

**34.1 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.

**34. RISK MANAGEMENT POLICIES (CONTINUED)**

34.1 Capital risk management (Continued)

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Total Equity per statement of Financial Position	5,267,521	7,192,572	6,041,873	10,278,929
Loans payable to a related party	-	-	-	-
Less: Cash, bank and deposit balances	3,857,957	2,133,713	2,700,376	870,801
Excess of Cash and cash equivalents over borrowings	(3,857,957)	(2,133,713)	(2,700,376)	(870,801)
Gearing ratio	N/A	N/A	N/A	N/A

**34.2 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.

**34.3 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:

All figures in Sh'000	CONSOLIDATED		COMPANY	
	2020	2019	2020	2019
Trade receivables	1,824,818	2,838,455	537,380	292,165
Loan to related companies	88,305	409,644	88,305	495,251
Staff recoverable	422	4,674	-	3,332
Due from related companies	107,435	86,030	1,781,288	1,396,266
Bank balances	738,445	925,105	103,558	78,566
Short term deposits	1,202,199	1,206,991	679,507	791,109
Fixed deposits with bank (maturing after 3 months)	1,916,726	-	1,916,726	-
	<u>5,878,350</u>	<u>5,470,899</u>	<u>5,106,764</u>	<u>3,056,689</u>

**34. RISK MANAGEMENT POLICIES (CONTINUED)****34.3 Credit risk (continued)**

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 >730 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



**34. RISK MANAGEMENT POLICIES (CONTINUED)**
**34.3 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.

<b>Group</b>						
<b>2020</b>	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Sh'000	Sh'000	Sh'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
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
				<u>7,110,103</u>	<u>(1,339,610)</u>	<u>5,770,493</u>
<b>2019</b>	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Sh'000	Sh'000	Sh'000
Trade receivables	N/A	Performing	Lifetime ECL	3,406,894	(568,439)	2,838,455
Loan to related companies	N/A	Performing	Lifetime ECL	409,644	-	409,644
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	2,132,096	-	2,132,096
				<u>5,948,634</u>	<u>(568,439)</u>	<u>5,380,195</u>
<b>Company</b>						
<b>2020</b>	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Sh'000	Sh'000	Sh'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
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
				<u>3,783,871</u>	<u>(458,395)</u>	<u>3,325,476</u>
<b>2019</b>	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				Sh'000	Sh'000	Sh'000
Trade receivables	N/A	Performing	Lifetime ECL	292,812	(647)	292,165
Loan to related companies	N/A	Performing	Lifetime ECL	495,251	-	495,251
Bank balances and short term deposits	A, BBB, B+, B-	Performing	12 month ECL	869,675	-	869,675
				<u>1,657,738</u>	<u>(647)</u>	<u>1,657,091</u>

**34. RISK MANAGEMENT POLICIES (CONTINUED)**

**34.3 Credit risk (continued)**

**Credit risk profile based on provision matrix**

**Group**

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

<b>2019</b>	<b>&lt; 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-180 days</b>	<b>181-360 days</b>	<b>Over 361 days</b>	<b>Total</b>
ECL rate	0%	0%	0%	1%	2%	60%	17%
Expected Gross Carrying Amount (Sh'000)	657,829	722,663	463,178	480,068	150,952	932,204	3,406,894
Lifetime ECL (Sh'000)	-	-	136	2,777	2,529	562,998	568,439

**Company**

<b>2020</b>	<b>&lt; 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-180 days</b>	<b>181-360 days</b>	<b>Over 361 days</b>	<b>Total</b>
ECL rate	0%	0%	0%	1%	2%	15%	0%
Expected Gross Carrying Amount (Sh'000)	256,383	224,020	8,607	19,147	26,865	3,363	538,385
Lifetime ECL (Sh'000)	-	-	3	96	403	503	1,005

<b>2019</b>	<b>&lt; 30 days</b>	<b>31-60 days</b>	<b>61-90 days</b>	<b>91-180 days</b>	<b>181-360 days</b>	<b>Over 361 days</b>	<b>Total</b>
ECL rate	0%	0%	0%	1%	2%	0%	0%
Expected Gross Carrying Amount (Sh'000)	49,305	111,183	68,246	57,565	6,513	-	292,812
Lifetime ECL (Sh'000)	-	-	20	529	98	-	647

**34. RISK MANAGEMENT POLICIES (CONTINUED)**

**34.3 Credit risk (continued)**

**A reconciliation of the impairment loss accounts:**

<b>Group</b>	Trade receivables Sh'000	Loan to related companies Sh'000	Total Sh'000
<b>31 December 2019</b>			
At 1 January 2019	560,786	-	560,786
Increase in loss allowance arising from new financial assets recognised in the year	127,200	-	127,200
Amounts written off during the year as uncollectible	(55,832)	-	(55,832)
Reversal of provision for bad debts	(30,918)	-	(30,918)
Reclassified as held for sale	(21,643)	-	(21,643)
Effect of exchange rate movements	(11,154)	-	(11,154)
At 31 December 2019	<u>568,439</u>	<u>-</u>	<u>687,986</u>
<b>31 December 2020</b>			
At 1 January 2020	568,439	-	568,439
Increase in loss allowance arising from new financial assets recognised in the year	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)
Reclassified as held for sale	-	-	-
Effect of exchange rate movements	21,832	-	21,832
At 31 December 2020	<u>1,032,730</u>	<u>306,880</u>	<u>1,339,610</u>
<b>Company</b>			
	Trade receivables Sh'000	Loan to related companies Sh'000	Total Sh'000
<b>31 December 2019</b>			
At 1 January 2019	12,187	-	12,187
Decrease in loss allowance arising from financial assets derecognized in the year	-	-	-
Amounts written off during the year as uncollectible	(581)	-	(581)
Reversal of provision for bad debts	(10,959)	-	(10,959)
At 31 December 2019	<u>647</u>	<u>-</u>	<u>12,187</u>
<b>31 December 2020</b>			
At 1 January 2020	647	-	647
Increase in loss allowance arising from new financial assets recognised in the year	358	457,390	457,748
At 31 December 2020	<u>1,005</u>	<u>457,390</u>	<u>458,395</u>

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.

**34. RISK MANAGEMENT POLICIES (CONTINUED)**

32.3 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 Sh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
<b>At 31 December 2020</b>				
Payable to related parties	2,084	2,401	174,265	178,750
Trade payables	575,516	253,428	1,030,770	1,859,714
	<u>577,600</u>	<u>255,829</u>	<u>1,205,035</u>	<u>2,038,464</u>
<b>At 31 December 2019</b>				
Payable to related parties	31,578	-	-	31,578
Bank overdraft	198	-	-	198
Trade payables	903,846	447,937	1,174,012	2,525,795
	<u>935,622</u>	<u>447,937</u>	<u>1,174,012</u>	<u>2,557,571</u>

For Company:

All figures in Sh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
<b>At 31 December 2020</b>				
Payable to related parties	204,016	2,488	39,184	245,688
Trade payables	213,438	85,017	126,280	424,735
	<u>417,454</u>	<u>87,505</u>	<u>165,464</u>	<u>670,423</u>
<b>At 31 December 2019</b>				
Payable to related parties	685,564	-	-	685,564
Bank overdraft	96	-	-	96
Trade payables	181,910	71,907	165,910	419,727
	<u>867,570</u>	<u>71,907</u>	<u>165,910</u>	<u>1,105,387</u>

32.3.1 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 Sh0.03million (2019: Sh0.02million) with a corresponding similar impact on retained earnings.

**34. RISK MANAGEMENT POLICIES (CONTINUED)****32.3.2 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 2020, if the average exchange rate for the year was 5% higher or lower, the loss before tax would have increased or decreased by approximately Sh3.50million (2019: Sh22.66million) for the Group and Sh 1.79million (2019: Sh 3.04million) for the Company.

**32.3.3 Price risk**

Price risk arises from fluctuations in the prices of equity investments. At 31 December 2020 and 31 December 2019, the group did not hold investments that would be subject to price risk; hence this risk is not applicable.

**32.3.4 Concentration risk**

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

**32.4 Fair value measurement**

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

**35. DIVIDENDS**

The directors do not recommend a final dividend for the financial year ended 31 December 2020 (2019: Nil). A special interim dividend of Sh8.00 per share totalling Sh 3,457,247,880 based on 432,155,985 shares in issue was paid during the financial year 2020 (2019:Nil).

**36. EVENTS AFTER THE REPORTING DATE**

The Board of Directors suspended the employment of the Chief Executive Officer, Mr Bharat Thakrar and the Chief Finance Officer, Mr Satyabrata Das on 18th February 2021 to allow for an investigation into allegations of gross misconduct and possible offences in their capacity as senior executives and employees of the Company. The Capital Markets Authority (CMA) were informed of the suspensions on the same day and shareholders of the Company were informed on the following day.

The Board immediately delegated management responsibility to an interim Chief Operating Officer, Mr Alec Graham, to ensure the continued and uninterrupted management of the Company with the support of the Board, WPP plc and the senior executives of the Company's subsidiaries.

The investigation was carried out by an internal team supported by external investigators working under the supervision of a sub-committee of the Board established for this purpose. During the course of the investigation into the allegations, Mr Thakrar and Mr Das tendered their resignations as Directors and as senior executives of the Company.

**36. EVENTS AFTER THE REPORTING DATE (Continued)**

Following the completion of this investigation, the auditors of the Company extended the scope of their audit work as a result of the reduced reliance they were able to place on the normal internal controls of the Company. This extended audit process led to the delay in the Company being able to publish its 2020 results. Both shareholders and the CMA have been kept informed regarding the delays and the expected date of publication of the results.

The investigation did not identify items of a material nature that required adjustment to the net results of the Company or the Group for the year ended 31 December 2020 or to the balance sheets at that date. There were some transactions amounting to Sh 4,804,000 (2019: 15,759,000) identified that lacked adequate supporting documentations which we do not consider material but has been included in other losses in Note 10.

The Board has commenced the process of putting in place a detailed remediation plan to ensure that controls within the Group are enhanced to meet the highest standards.

The Directors do not consider this to be an Adjusting Event in accordance with International Accounting Standard No 10.

Following a review of related parties, as part of the investigation, transactions with two related parties not previously disclosed were identified. These were Dimension Data Solutions East Africa Limited and Sequel Holdings Limited. These have been disclosed in Note 19 and the prior year comparative figures restated accordingly.

**37. 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](http://www.wpp.com).