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WPP | SCANGROUP

The Creative Transformation Company

PUBLICATION OF THE 2021 FINANCIAL RESULTS

THIS ANNOUNCEMENT IS MADE IN COMPLIANCE WITH THE CONTINUING LISTING OBLIGATIONS OF THE CAPITAL MARKETING (SECURITIES) (PUBLIC OFFERS, LISTING AND DISCLOSURES) REGULATIONS, 2002

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

All figures in Ksh'000	2021	2020 restated *
Continuing operations		
Revenue	7,596,164	6,341,145
Gross profit	2,352,241	2,238,979
Interest income	224,380	204,010
Interest expense	(18,833)	(22,749)
Other income	16,885	20,231
Share of profit / (loss) in associates	5,337	(3,208)
Operating and administrative expenses	(2,464,381)	(2,704,801)
Impairment of investment in associates	(29,921)	(158,827)
Impairment of goodwill	-	(315,671)
Allowance for expected credit loss net of reversals	20,975	(757,581)
Foreign exchange gains	27,400	45,124
Profit / (loss) before tax	134,083	(1,454,493)
Tax charge	(172,023)	(278,035)
Loss for the year from continuing operations	(37,940)	(1,732,528)
Discontinued operations		
Loss for the year from discontinued operations	-	(126,682)
Net gain on disposal of discontinued operations after tax	-	2,242,028
(Loss) / profit for the year	(37,940)	382,818
Exchange difference on translating foreign operations	(4,458)	(25,718)
Total comprehensive (loss) / income for the year	(42,398)	357,100
(Loss) / profit attributable to:		
Shareholders of the holding company	(19,372)	469,258
Non-controlling interests	(18,568)	(86,440)
	(37,940)	382,818
Total comprehensive (loss) / income attributable to:		
Shareholders of the holding company	(26,988)	444,567
Non-controlling interests	(15,410)	(87,467)
	(42,398)	357,100
Loss per share		
Basic and diluted (Ksh)	(0.04)	(3.89)
Number of shares (in thousands)	432,156	432,156

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

RESULTS

Group gross profit for the year ended 31 December 2021 from continuing operations amounted to Ksh 2,352m, increase of 5% compared to the previous year. Operating and administrative expenses of the Group decreased by Ksh 240m, or 9%, mainly due to reductions in staff costs. The Group also impaired the carrying value of investment in associates of Ksh 30m. The profit before tax for the group from continuing operations amounted to Ksh 134m compared to a loss of Ksh 1,454m in 2020. The high tax charge in the current year relative to profits is mainly due to expenses not deductible for tax purposes.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

All figures in Ksh'000	31 December 2021	31 December 2020
ASSETS		
Non-current assets	844,806	995,252
Other current assets	4,648,508	3,888,674
Cash, bank and deposit balances (Note 1)	3,951,469	3,857,957
TOTAL ASSETS	9,444,783	8,741,883
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	432,156	432,156
Share premium	4,436,532	9,155,166
Accumulated deficit	(784,130)	(4,026,144)
Merger reserve	1,457,248	-
Translation deficit	(343,015)	(335,399)
	5,198,791	5,225,779
Non-controlling interests	1,606	41,742
Total equity	5,200,397	5,267,521
Non-current liabilities	98,217	143,419
Current liabilities	4,146,169	3,330,943
TOTAL EQUITY AND LIABILITIES	9,444,783	8,741,883

Note 1: The cash, bank and deposit balances above include Ksh 2,617,125,000 (2020: 2,003,097,000) that is not included in cash and cash equivalents in the summary consolidated statement



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

All figures in Ksh'000	Share capital	Share premium	Merger reserve	Accumulated deficit	Translation deficit	Non-controlling interests	Total
At 1 January 2020	432,156	9,155,166	-	(2,128,152)	(430,223)	163,625	7,192,572
Disposal of subsidiaries	-	-	-	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	-	(86,440)	382,818
Other comprehensive loss	-	-	-	-	(24,691)	(1,027)	(25,718)
Special interim dividend declared - 2020	-	-	-	(3,457,248)	-	(17,770)	(3,475,018)
At 31 December 2020	432,156	9,155,166		(4,026,144)	(335,399)	41,742	5,267,521
At 1 January 2021	432,156	9,155,166	-	(4,026,144)	(335,399)	41,742	5,267,521
Transfer to Merger Reserve	-	(4,718,634)	4,718,634	-	-	-	-
Loss of the year	-	-	-	(19,372)	-	(18,568)	(37,940)
Other comprehensive loss	-	-	-	-	(7,616)	3,158	(4,458)
Transfer from accumulated deficit to Merger Reserve	-	-	(3,261,386)	3,261,386	-	-	-
Dividend declared - 2021	-	-	-	-	-	(24,726)	(24,726)
At 31 December 2021	432,156	4,436,532	1,457,248	(784,130)	(343,015)	1,606	5,200,397

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

All figures in Ksh'000	2021	2020
Cash generated from / (used in) operating activities before working capital changes	30,522	(230,428)
Working capital changes	229,901	229,467
Tax paid on operating income	(204,416)	(245,871)
Net cash generated from / (used in) operating activities	56,007	(246,832)
Net cash (used in) / generated from investing activities	(495,388)	2,506,013
Net cash used in financing activities	(68,081)	(3,505,566)
Cash and cash equivalents at the beginning of the year	1,854,860	2,123,944
Cash and cash equivalents reclassified as held for sale	-	996,319
Net decrease during the year	(507,462)	(1,246,385)
Effect of fluctuations in exchange rates	(13,054)	(19,018)
Cash and cash equivalents at end of the year	1,334,344	1,854,860

The above summary consolidated financial statements are derived from the Group's financial statements which have been audited by Deloitte and Touche LLP and were approved by the Board on 28 April 2022. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on WPP Scangroup's website.

ACCOUNTING POLICIES

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2020 annual financial statements.

OUTLOOK FOR 2022

Trading conditions continue to be challenging in the markets that the Group operates in. Inflation and the rise in the cost of living in most of our markets, exacerbated by the war in Ukraine, are likely to negatively impact the marketing budgets of our clients. Uncertainty linked to imminent elections in Kenya are likely to add to this. However, following recent business wins the Group is taking a cautiously optimistic view of 2022.

PROPOSED DIVIDEND

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

ALTERATION TO CAPITAL - CREATION OF MERGER RESERVE

Pursuant to paragraph C(01)(A) of the Fifth Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and section 388 of the Companies Act, 2015, the Company wishes to inform its shareholders and the public that it has altered its share capital structure by transferring an amount of Ksh 4,719m from its Share Premium account to a Merger Reserve account. The alteration does not affect the statement of profit or loss of the group and company and does not reduce assets of the Company or the Group. For further information on the creation of the Merger Reserve, please refer to the notes to the financial statements.

EVENTS AFTER THE REPORTING DATE

Ms Patricia Ithau was appointed as Chief Executive Officer and Executive Director of the company on 14 March 2022. In addition, the company appointed five non-executive directors on 31 March 2022 and Mr Pratul Shah retired at the same time.

By Order of the Board

Winnie Jumba
Company Secretary
28 April 2022

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

Opinion

The summary consolidated financial statements which comprise the summary consolidated statement of financial position as at 31 December 2021, the summary consolidated statement of profit or loss and other comprehensive income, the summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of WPP Scangroup PLC for the year ended 31 December 2021.

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

Other matter

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

Summary Consolidated Financial Statements

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

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 28 April 2022. That report also includes the communication of a key audit matter as reported in the auditors' report on the audited consolidated financial statements. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' Responsibility for the Summary Consolidated Financial Statements

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

Auditors' Responsibility

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

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

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

28 April 2022

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