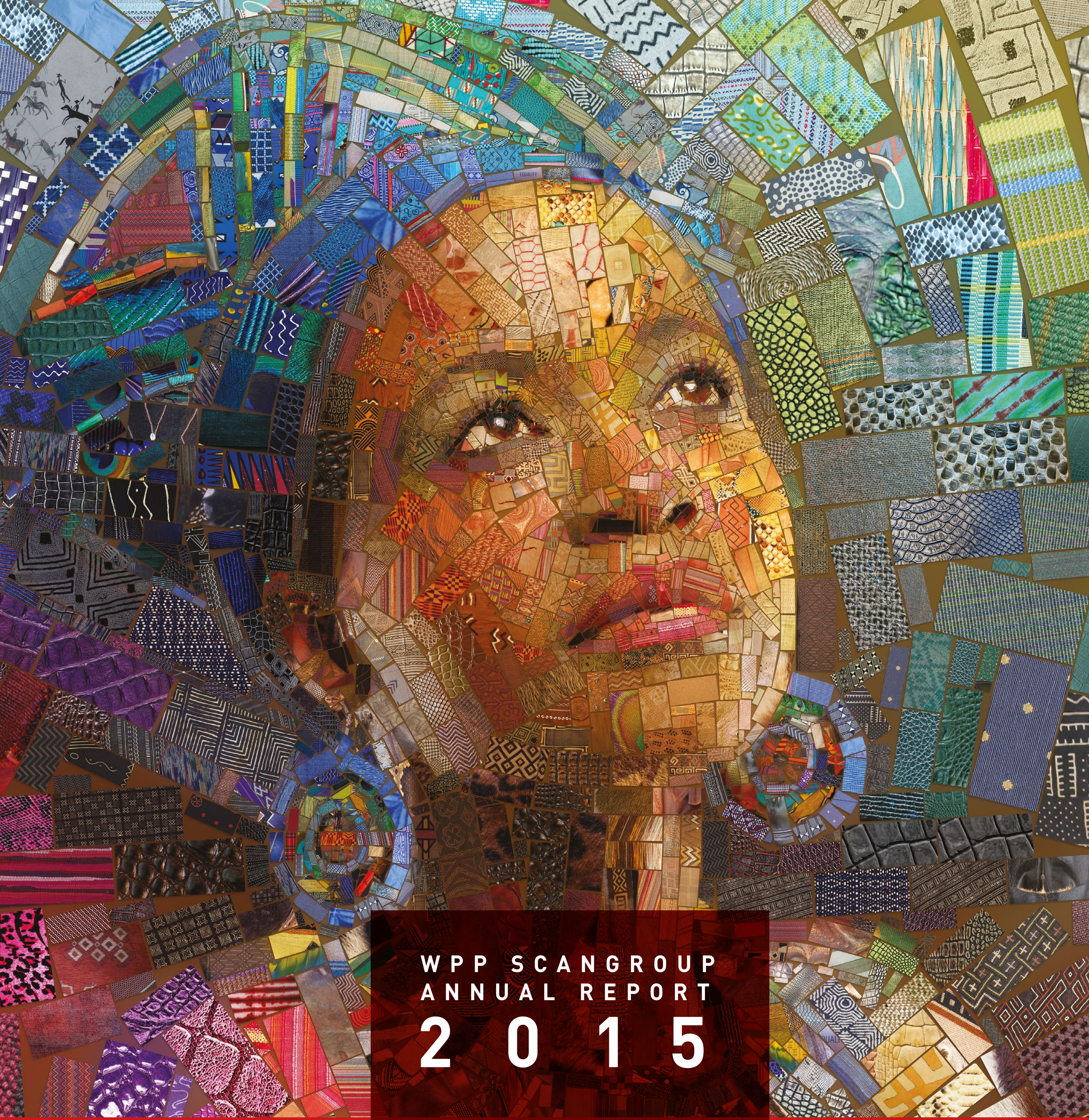
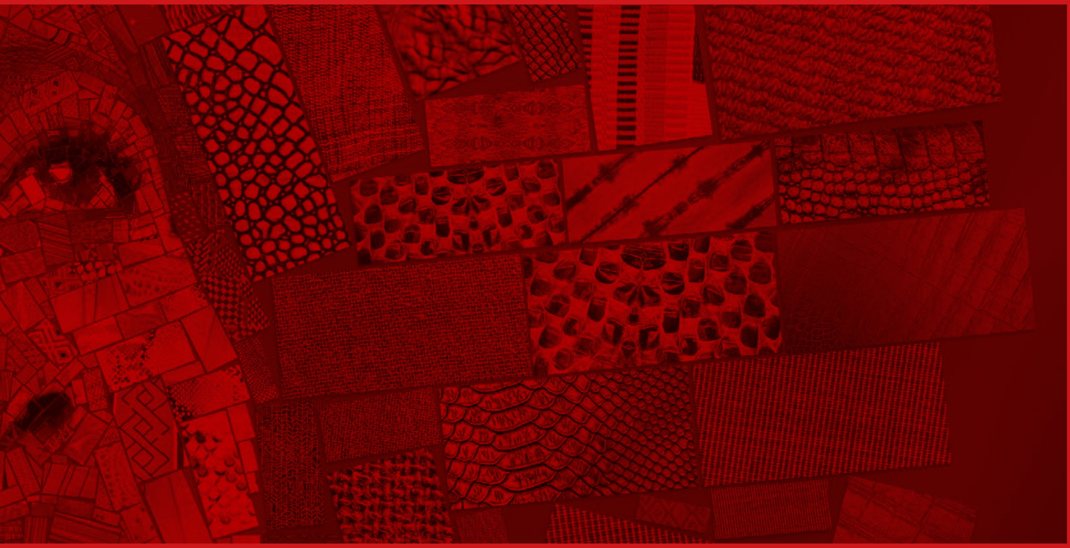


WPP SCANGROUP ANNUAL REPORT 2015

WPP SCANGROUP



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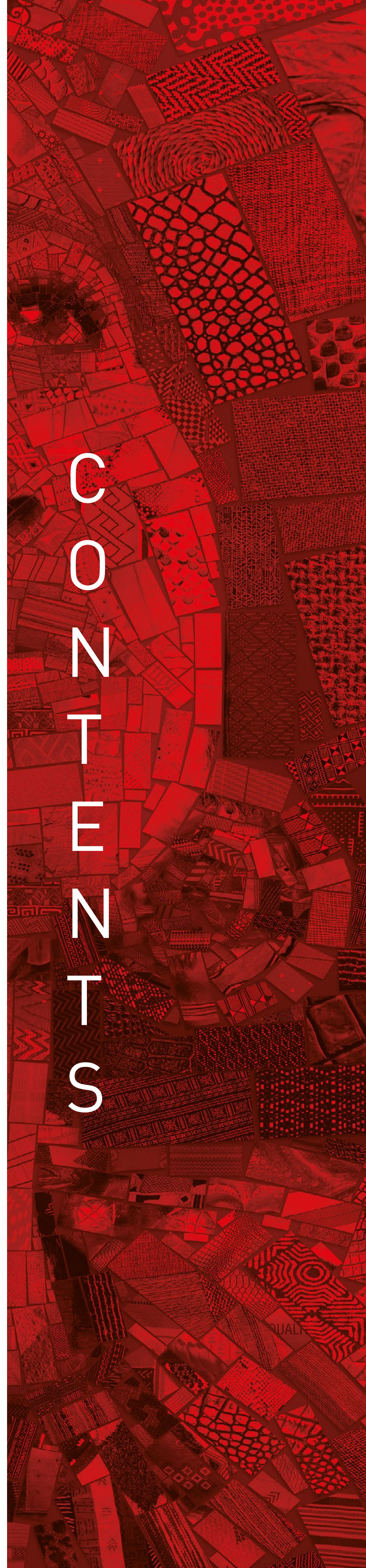

NOTICE OF THE ANNUAL GENERAL MEETING 2016

Notice is hereby given that the 2016 Annual General Meeting of WPP Scangroup Limited will be held at Bomas of Kenya, Langata Road, Nairobi, Kenya on Tuesday 31 May 2016 at 11.00 am to transact the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting.
2. To receive, consider and adopt the Financial Statements for the year ended 31 December 2015 together with the reports of the Directors and the Auditors thereon.
3. To consider and approve a first and final dividend totalling Ksh 189,432,551 being Ksh 0.50 per share for the year ended 31 December 2015 payable on or about 30 June 2016 to shareholders on the Register of Members at the close of business on 31 May 2016.
4. To approve the remuneration of the Directors as provided in the accounts for the year ended 31 December 2015.
5. To elect Directors:

   Mr. Muchiri Wahome retires by rotation under the provisions of Article 93 of the Articles of Association and being eligible offers himself for re-election as a director.

   Mr. David Hutchison, having attained the age of seventy years on 9 October 2014 retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election.

6. To note that Deloitte & Touche continue in office as auditors of the Company in accordance with the provisions of Sec. 721(2) of the Companies Act 2015 and to authorize the Directors to set their remuneration for the ensuing financial year.

Notes:

1. A Member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A Proxy Form may be downloaded from the Company's website, www.wpp-scangroup.com, or obtained from the Registrar, Comp-rite Kenya Limited, The Crescent, off Parklands Road, Crescent Business Centre, 2nd floor, Nairobi – P.O. Box 63428-00619 Nairobi. To be valid, a Proxy Form must be duly completed by a Member and must either be lodged with the Registrar at the above given address or posted so as to reach the Registrar not later than 11.00 am on Friday 27 May 2016.

2. In accordance with Articles 152 & 148 of the Company's Articles of Association, a copy of the Annual Report may be viewed on our website, www.wpp-scangroup.com, or obtained from the Registrar's office at the address given above.

3. Registration of Members and proxies attending the Annual General Meeting will commence at 8.00 am on Tuesday 31 May 2016 and will close at the conclusion of the meeting. Members and proxies will be required to produce a national identity card, a passport or other acceptable means of identification. CDS account numbers or Member number will also be required for ease of the registration process.

4. Courtesy transport will be provided for Members between 7.30 am to 10.00 am from town (pick-up and drop-off points: behind Kencom House - Moi Avenue, Nairobi) to the venue of the meeting and back to town at the conclusion of the meeting.

By Order of the Board

Reuben Mwangi
Company Secretary
Nairobi

BOARD OF DIRECTORS

DAVID HUTCHISON

Chairman and Independent Non-Executive Director

David, age 71, is a Certified Public Accountant and formerly Senior Partner of Ernst & Young Eastern Africa. He has many years' experience in audit, tax advice, financial management, reconstruction and consulting covering many sectors across various countries. David is a Non-Executive Director of ICEA Lion General and Life companies, East Africa Reinsurance Company Limited, East African Packaging Industries Limited (Chairman), Prime Bank Limited, Synresins Limited and is Chairman of a number of companies within The Banda educational and property groups.

BHARAT THAKRAR

Chief Executive Officer

Bharat, age 64, is the founder shareholder of WPP Scangroup. He has over 40 years working experience in the Advertising and Communications industry. He holds a Diploma in Advertising and Marketing from the Communications and Marketing Foundation - UK. He has undergone various executive management courses including one at the Harvard Business School. He is a former Chairman of the Advertising Practitioners Association (APA) in Kenya, and is a member of the Advertising Standards Board. In 2012, Mr. Thakrar was awarded the Forbes Africa Advertising Leader of the Year. In 2015 he was honored by the Marketing Society of Kenya (MSK) for his strong contribution in marketing within the industry. Mr. Thakrar is also a finalist for the EY entrepreneur of the year Master Category Award 2015.

RICHARD OMWELA, OGW

Independent Non-Executive Director

Richard, age 60, holds a Bachelor of Honours Degree in Law (LLB) Upper Class Division from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is an advocate of the High Court of Kenya. Richard is a Partner at Hamilton Harrison and Matthews Advocates. He is a Member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. He is the Chairman of Nairobi Airport Services Limited (NAS) Chairman of African Banking Corporation Limited (ABC Bank) Chairman of The Monarch Insurance Company Limited, Chairman of Octagon Pension Services Limited and Chairman of the Kenya Rugby Union.

MUCHIRI WAHOME

Independent Non-Executive Director

Muchiri, age 53, has over 28 years of retail experience. He is a Non-Executive Director of Tea Brokers East Africa Limited, Goodlife Pharmacies Limited and East African Packaging Limited. He is also the Chairman of the Board of Governors of Othaya Girls High School. Muchiri is a holder of a BA (Economics) from the University of Nairobi, a higher national diploma in management from Strathmore University, a fellow of the Aspen Leadership Center and was awarded the Head of State Commendation medal (HSC) for implementing performance contracts in government bodies.

ANDREW SCOTT

Non-Executive Director

Andrew, age 47, is Chief Operating Officer for WPP in Europe and is also WPP's Director of Corporate Development leading the Group's global Mergers & Acquisitions activity. Prior to joining WPP, Andrew was a strategy consultant at LEK Consulting. He holds an MBA with distinction from INSEAD.

LAURENCE MELLMAN

Non-Executive Director

Laurence, age 50, is Chief Operating Officer, International Specialist Communications at WPP. He has worked at WPP since 1996 and has undertaken a number of roles in both the parent company and in the operating companies. Prior to joining WPP, Laurence trained as a Chartered Accountant with Pricewaterhouse Coopers in London and Manchester, qualifying in 1991. Laurence holds a degree in Commerce and Accounting from the University of Birmingham in the UK.

JONATHAN NEIL EGGAR

Finance Director

Jonathan, age 40, joined WPP Scangroup in January 2014. Prior to this Jonathan spent twelve years with WPP in a number of roles, both in the parent company and in the operating companies. Prior to joining WPP, he trained as a Chartered Accountant with Ernst & Young, qualifying in 2001. He holds a degree from Southampton University in the UK.

REUBEN MWANGI

Company Secretary

Reuben, age 51, is Head of Legal and Company Secretary at WPP Scangroup Limited and its subsidiaries in Kenya. He holds a Bachelors of Laws (LLB) from the University of Nairobi, a Diploma in Legal Practice from the Kenya School of Law and is also a Certified Public Secretary and a Life Member of the Institute of Certified Public Secretaries of Kenya. Prior to joining WPP Scangroup, Reuben worked in various capacities at Kenya Wildlife Services, CfC Bank Limited and Bollore Africa Logistics.

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

We are pleased to present the annual report for WPP Scangroup Limited for the year ended 31 December 2015.

Economy

Economy of countries in which the Group operates were relatively stable. Overall economy of the Sub-Saharan Africa region expanded by 3.8%[1] compared to 5.1%[1] in 2014. Slowing worldwide growth, led by China, the largest trading partner of the continent, depreciating local currencies, subdued commodity prices and adverse climate condition in parts of the continent, were the main reasons for lower growth. The East-Africa Community witnessed growth of 3.4%[1] in 2015 compared with 3.8%[1] in 2014. Political unrest in Burundi and uncertainties associated with general election in Uganda and Tanzania, which ultimately concluded peacefully, had an influence on the region's economy during the course of the year.

The Kenyan business environment was relatively stable in 2015, but was not without periods of economic uncertainty. Overall the economy grew by 5.6%[1] which was higher than average GDP growth of 3.8%[1] in Sub-Saharan Africa, but lower than the estimate of 6%[2] . The growth was buoyed in parts by lower oil prices and large scale infrastructure projects which do not have a direct impact on our sector. The local currency depreciated against the major international currencies by ~13% during the year. This resulted in overall inflation to be at 6.6%[1] compared with 6.9%[1] in 2014. The sectors of the economy that affect the Group's business more than others via, information and communication and wholesale and retail trade expanded less in 2015 than in 2014. The above factors collectively have had an adverse impact on the group's performance in Kenya where the total billings declined by 9%, and revenue declined by 5%.

Neighbouring countries of Uganda, Tanzania and Rwanda saw their economies expand by 5.2%[3] , 6.9%[1] and 6.5%[1] respectively. Ghana, where the company now has four businesses in operation, saw its economy expand by 3.9%[4] in 2015. Volatility in the Ghanaian Cede and its depreciation – 9.5% average – adversely affected Group businesses, but we continued to see strong growth from this market as our businesses gained market share. Economic conditions in South Africa were challenging in 2015, but our operations in this market showed robust growth.

Nigeria, which was declared to be the largest economy in Africa, grew by 2.79%[5] in 2015 despite lower export earnings and continued challenges with security. Its currency however, depreciated during the year officially by 6.7% but in parallel market by over 30%. This hampered businesses, restricted flow of capital and inflation increased.
Our business interests in Nigeria were affected by the currency depreciation and higher costs of operations, but continued to deliver strong growth.

Not deterred by the immediate challenges, long term view of the market participants for the region remains positive. A 98%[6] increase in the number of FDI projects in Africa during 2015 compared with number of projects in 2014 reflects this sentiment. The Board of Directors' continue to believe in the long term prospects of the countries in which the Group has business interests and the Company will continue its efforts to grow the businesses there, particularly in Nigeria.

1. Economic Survey 2016 by Kenya National Bureau of Statistics
2. Kenya GDP country report by Global finance magazine
3. Key Economic indicators Q2 2015/2016 by Uganda Bureau of Statistics
4. Quarterly GDP April 2016 Edition by Ghana Statistical Service
5. National Bureau of Statistics Nigeria
6. World FDI report 2016 by FDI Intelligence – Financial Times

Industry Performance

Whilst economic growth across the region has slowed, the Marketing and Advertising industry in Sub-Saharan Africa continues to grow as a number of local clients increase their marketing investments in the region. Increasing disposable income of consumers, especially in the middle-income group, adds to the importance of the continent to our clients. As marketing communication is necessary to reach consumers, investment in marketing services is likely to increase.

In Kenya, according to an IPSOS research, the advertising industry is estimated to have grown by 8% in 2015. Ad-spends on TV advertising , which for its highest recall ratio is considered as the best medium for communication remained the largest category representing 47% of total spend. The number of Digital TV stations increased from 36 in 2014 to 62 in 2015 following the successful completion of the digital migration. Radio still remains a popular medium with 42% of total ad-spends, and gained a small uplift in the first half of 2015 due to the switch over from analogue to digital TV in Q1 2015. In 2015 mobile subscriptions in Kenya increased to 37.7 million subscribers. This reflects 85.4% penetration – among the highest in Sub-Saharan Africa. This encourages our view that the use of Digital advertising in marketing communication will continue to develop. Demand for other service disciplines such as Public Relations and Speciality Communication is also growing.

Clients increasing expectation of better return on media investment has continued to challenge the industry to improve its effectiveness. In a bid to meet client expectations, agencies operating in this region continue to evolve and become more innovative. Association of local or regional players with global agencies who are looking to diversify into emerging and frontier markets reflects the growing demand for global practices. Our alignment with WPP and the renaming of our business to WPP Scangroup, is an example of this and further supports the fact that global clients are looking for partners who are able to offer an integrated marketing service across all continents.

The industry phenomenon in other markets where your company has operations is similar to that of Kenya. As African economies start working as blocs, companies are increasingly starting to seek agencies that can operate across markets and across disciplines. Our long term objective is aligned to this expectation.

Update on introduction of new services and markets

Our growth strategy continues to be based on delivering "Integrated Marketing Communication" (IMC) to our clients across all marketing disciplines and across all geographies in Sub-Saharan Africa. We believe that delivering global best practice across multiple markets to our clients will cement our relationships with them. In line with this strategy, during the year the Company continued to develop its services in countries outside of Kenya and as a result our dependency on the Kenya market continued to reduce.

As previously disclosed, our Scanad Nigeria operation encountered a legal challenge early in its operations regarding a dispute with an Ogilvy affiliate. The matter is still before the Courts in Nigeria. On a positive note, our research unit, Millward Brown continues to show strong growth in the Nigerian market, and we launched our Public Relations business, Hill+Knowlton Strategies in Nigeria in early 2015.

Company's Financial Performance

In 2015, the Group's billings were flat but Revenues declined by 2%. In our business, billings do not necessarily have a correlation with revenues because more than 50% of our revenues are from retainer fees which are not directly correlated to the level of client spend on media advertising.

Kenya is still our primary market. As the Group continues to expand and strengthen its operations outside of Kenya, dependence on Kenya will continue to decrease. In 2015 Kenya contributed 66% of the total revenue, down from 71% in 2014. The trading environment in Kenya was tough during 2015 and we saw the Group's revenue here decline by 5%. This was offset by strong growth in markets outside of Kenya. As a result, the Group's revenue decline was contained at 2%.

In terms of marketing discipline diversification, we continue to look at ways to reduce the Group's concentration in Advertising and Media services. This has evolved from 84% in 2012 to 62% in 2015 as a result of investments in the Digital space, Public Relations and Research, which are now starting to bear fruit. We expect this trend to continue in 2016.

As would be reasonably expected, investment in service disciplines and in markets outside of Kenya, led to a 4% increase in operating costs. However, we are starting to see greater return from these investments in 2016.

Profit before Tax (PBT) was boosted by a 76% increase in interest income, partly due to higher interest rates in Kenya, and partly due to a continued improvement in working capital. As a result PBT declined by only 4%. The Group's effective tax rate increased from 31% to 45% due to deferred tax adjustments. This led to Profit after Tax being down 23% and Earnings Per Share (EPS) was down from 1.50 in 2014 to 1.12 in 2015.

Proposed Dividend

Your Board has recommended for approval at the Annual General Meeting the payment of the first and final dividend of Ksh 0.50 per share for 378,865,102 shares amounting to Ksh 189,432,551 for the year ended 31 December 2015 (2014: Ksh 0.50 per share for 378,865,102 shares amounting to Ksh 189,432,551). Whilst the EPS decreased by 25% the Board of Directors' remains confident about the trading outlook and the increase in proposed dividend pay out to 45% of EPS reflects this. This is consistent with the Group's target dividend distribution ratio, a minimum of 30%.

Board

The Directors who held office in 2015 and up to the date of this report are listed on page <?>

Corporate Governance

The Board and its committees, the Audit & Risk Management Committee, the Board IT Oversight Committee and the Nominating and Remuneration Committee continue to discharge their oversight mandates on the Group's financial activities, internal controls, technology infrastructure, risk management practices and human resource management. A statement on corporate governance is set out on page 10.

Corporate Social Responsibility

In 2015, the Company continued to support the Kenya Society of Anaesthesiologists and Lifebox Foundation, by providing funding for Pulse Oximeter package to enhance surgical safety in Kenya. A Pulse Oximeter package monitors the level of oxygen in a patient's bloodstream during surgery and sounds an alarm if it detects an unsafe change in oxygen levels thus making it one of the most critical tools for performing safe surgery.

Appreciation

We would like to thank our clients in all the countries we operate in for their continued support without which our vision to be the leading marketing services company in Sub-Saharan Africa would not be achievable. We would also like to thank our shareholders for their confidence in the management and the leadership of the Group. Last but not least, our dedicated and committed staff for their pursuit of excellence in service delivery that has helped achieve the results.

David Hutchison	Bharat Thakrar
Chairman	CEO

27 April 2016

CORPORATE GOVERNANCE

Corporate governance statement

The Board of Directors is responsible for good corporate governance of the Group and attaches great importance to the need to conduct business and operations of the Group with integrity, transparency and accountability. The Board is committed to complying with legislation, regulation and best practice, it has in particular adopted the Capital Markets Authority guidelines on corporate governance practices by public listed companies in Kenya. The Board is also committed to the consideration and implementation of initiatives to improve corporate governance for the benefit of all shareholders.

Board and directors

During the year 2015, the Board comprised two executive directors - Mr. Thakrar and Mr. Eggar - and five Non-executive directors, three of whom, Mr. Hutchison, Mr. Omwela and Mr. Wahome are Independent Directors. The independent directors ensure that independent thoughts are brought to bear on Board decisions. Independent directors have no management or business relationships with the Company that could influence their independence. Mr. Scott and Mr. Mellman are appointed by Cavendish Square Holding B.V. in accordance with the Company's Articles of Association.

All the directors except the executive directors and the directors appointed by Cavendish Square Holding B.V. are required to retire at regular intervals and may offer themselves for re-election.

The Directors who held office during the year under review and to the date of this report are listed on page <?>.

The Board retains effective control over the Company's operations and has established a number of committees to assist in providing detailed attention to specific areas. The Board and committees are supplied with relevant, accurate and timely information to enable them to discharge their responsibilities. In addition, their mandates ensure unrestricted access to company information and the ability to obtain expert advice, at the Company's expense, whenever necessary. The Committees of the Board are as follows:

Audit & Risk Management Committee

Membership of the Audit & Risk Committee includes, three Non-executive directors: Mr. Hutchison (Chairman), Mr. Omwela and Mr. Scott. The Chief Executive Officer, the Finance Director and Internal Auditor are regular invitees to the Committee's meetings. In addition, the external auditor may be invited to attend as necessary, but at least once a year. The Committee's responsibilities include; review of financial statements, compliance with accounting standards, oversight on internal control systems and the internal audit function, identification, assessment and effectiveness of business risk management processes and liaison with the external auditor.

Nominating & Remuneration Committee

The Nominating & Remuneration Committee comprises of Mr. Hutchison (Chairman), Mr. Wahome, Mr. Scott and the CEO, Mr. Thakrar. The Committee meets as required but at least once a year. The Committee is responsible for identifying and nominating for approval by the Board, candidates to fill the Board vacancies as and when the need arises and in particular, gives consideration to succession planning taking into account the challenges and opportunities facing the Company and ensure that the necessary skills and expertise are available on the Board in future. The Committee is responsible for; monitoring and appraising the performance of senior management, reviewing human resources policies and determining the Group's remuneration and incentive programmes. Executive Directors and / or management are not present when their remuneration is discussed.

Board IT Oversight Committee

Board IT Oversight Committee was constituted to oversee systems development and implementation in the Group. The members of the Committee are, Mr. Hutchison and Mr. Thakrar. The Chief Information Officer who heads the management IT Steering Committee is invited to the meetings.

The committees report to the Board at each meeting highlighting matters discussed at their respective meetings and recommended actions.

Chairman and chief executive officer

The roles of the Chairman and the CEO are separate and distinct.

Directors emoluments and loans

The aggregate amount of emoluments paid to Directors during 2015 are disclosed on page 37. No loan was given to the Executive Director and Non-Executive Directors during the year. Directors' interest in the shareholding of the Company is set out on page 15.

Dealing in company's shares

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

Internal controls

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

Business ethics

Honesty, integrity and respect for all stakeholders are the core values of the Group. These values determine the way in which the Group conducts business and are epitomised in the Code of Conduct. The Code of Conduct also emphasises the Group's zero tolerance to bribery and corrupt practices. All employees are required to undergo ethics and anti-bribery training to reaffirm these values.

Investor relations

Information on the Company's shareholding is provided on page 15. The Company values its relationship with the shareholders and the investment community and ensures regular and reliable communication through publication of its financial performance, publication of the Annual Report, holding of the Annual General Meeting and other general meetings prescribed by law. The Company's primary communication channel remains the Nairobi Securities Exchange and media releases consistent with legal and regulatory requirements.

CORPORATE INFORMATION

DIRECTORS	David Hutchison*	Chairman
	Bharat Thakrar	Chief Executive Officer
	Jonathan Neil Eggar*	Finance Director
	Richard Omwela	
	Muchiri Wahome	
	Andrew Scott*	
	Laurence Mellman*	
		* Nationality : British
SECRETARY	Reuben Mwangi Certified Public Secretary (Kenya) The Chancery, 5th Floor Valley Road, Upper Hill P.O. Box 34537- 00100 Nairobi, Kenya	
REGISTERED OFFICE	The Chancery, 5th Floor Valley Road, Upper Hill P.O. Box 34537 – 00100 Nairobi, Kenya	
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P.O. Box 40092 – 00100 Nairobi, Kenya	
PRINCIPAL BANKERS	CfC Stanbic Bank Limited 4th Floor, CfC Stanbic Bank Centre Westlands Road, Chiromo P.O. Box 72833 – 00200 Nairobi, Kenya	
LEGAL ADVISERS	Daly & Figgis Advocates ABC Place, 6th Floor Waiyaki Way P.O. Box 40034 – 00100 Nairobi, Kenya	
SHARE REGISTRARS	Comp-rite Kenya Limited 8th Floor, Rehani House Kenyatta Avenue P.O. Box 64328 – 00619 Nairobi, Kenya	

CORPORATE INFORMATION (CONTINUED)

GROUP COMPANIES, BUSINESS ACTIVITIES AND GEOGRAPHIC PRESENCE

Advertising	
Scanad Ghana Ltd.	Ghana
Ogilvy Ghana Ltd.	Ghana
Scanad Kenya Ltd.	Kenya
J. Walter Thompson Kenya Ltd.	Kenya
Scanad Africa Ltd.	Kenya
Grey East Africa Ltd.	Kenya
Ogilvy & Mather (Eastern Africa) Ltd.	Kenya
Blueprint Marketing Ltd.	Kenya
Ogilvy Africa Ltd.	Kenya
Ogilvy Kenya Ltd.	Kenya
Scanad Nigeria Ltd.	Nigeria
Scanad Rwanda Ltd.	Rwanda
O&M Africa B.V. (Branch Office)	South Africa
Scanad Tanzania Ltd.	Tanzania
J.Walter Thompson Tanzania Ltd.	Tanzania
Ogilvy Tanzania Ltd.	Tanzania
Scanad Uganda Ltd.	Uganda
JWT Uganda Ltd.	Uganda
Ogilvy & Mather Zambia Ltd.	Zambia

Market research	
Millward Brown West Africa Ltd.	Ghana
Millward Brown East Africa Ltd.	Kenya
Millward Brown Nigeria Ltd.	Nigeria

Media investment management	
GroupM Africa Ltd.	Kenya
MEC Africa Ltd.	Kenya
Media Compete East Africa Ltd.	Kenya
Mindshare Kenya Ltd.	Kenya
Ogilvy Africa Media Ltd.	Kenya
Scangroup (Malawi) Ltd.	Malawi
Scangroup (Mauritius) Ltd.	Mauritius
Scangroup Mozambique Limitada	Mozambique
Scangroup (Zambia) Ltd.	Zambia

Public relations	
Hill & Knowlton East Africa Ltd.	Kenya
Ogilvy Public Relations Ltd.	Kenya
Hill & Knowlton Strategies Nigeria Ltd.	Nigeria
Hill & Knowlton Strategies Uganda Ltd.	Uganda
Hill + Knowlton Strategies SA Pty Ltd.	South Africa

Digital advertising	
Squad Digital Ltd.	Kenya
Squad Digital Nigeria Ltd.	Nigeria

Speciality communication	
Roundtrip Ltd.	Kenya

Note: This is not a complete list of legal entities within the group.

HISTORICAL FINANCIAL TREND

SUMMARISED STATEMENT OF PROFIT OR LOSS FOR THE YEAR

All figures in Ksh'000	2015	2014	2013 Restated	2012 Restated	2011
Billing	16,791,084	16,886,418	14,144,826	12,472,198	11,763,664
Revenue	5,022,408	5,125,162	3,838,912	3,922,763	3,597,260
Net interest income	436,098	248,253	37,655	167,466	139,916
Profit before taxation	875,271	912,277	963,093	1,069,566	1,280,100
Tax charge	(396,599)	(286,801)	(131,766)	(317,557)	(368,984)
Profit after tax	478,672	625,476	831,327	752,009	911,116
Non controlling interests	(55,096)	(58,469)	(70,761)	(123,730)	(186,151)
Profit available to WPP Scangroup Shareholders	423,576	567,007	760,566	628,379	724,965
Basic earnings per share (EPS) (Ksh)	1.12	1.50	2.60	2.21	2.55
Weighted average number of shares (million)	378.87	378.87	292.78	284.79	284.79

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

All figures in Ksh'000	2015	2014	2013 Restated	2012 Restated	2011
ASSETS					
Non - current assets	2 ,331,575	2,360,945	2,284,630	1,015,060	711,351
Current assets	10,136,904	10,923,159	10,459,953	7,346,586	7,778,587
Total assets	12,468,479	13,284,104	12,744,583	8,361,646	8,489,938
LIABILITIES					
Non - current liabilities	1 85,756	301,464	358,383	306,536	337,430
Current liabilities	3 ,678,463	4,440,009	4,259,750	3,155,479	3,797,599
Equity	8 ,604,260	8,542,631	8,126,450	4,899,631	4,354,909
Total Equity and Liabilities	12,468,479	13,284,104	12,744,583	8,361,646	8,489,938

SHAREHOLDERS INFORMATION

TOP 10 SHAREHOLDERS

Rank	Name	Number of shares held	% of issued share capital
1	Cavendish Square Holding B.V	176,903,560	46.69%
2	Bharat Kumar Thakrar and Sadhna Bharat Thakrar	51,811,360	13.68%
3	Standard Chartered Nominees, Non-Resident A/C KE 9273	16,647,200	4.39%
4	Standard Chartered Nominees, Non-Resident A/C 9944	14,694,100	3.88%
5	Ogilvy and Mather South Africa (Proprietary) Limited	12,907,856	3.41%
6	Standard Chartered Kenya Nominees Account Limited A/C KE 002257	10,845,793	2.86%
7	White, Andrew John Laird	8,611,100	2.27%
8	CFC Stanbic Nominee Limited A/C NR1030625	7,298,600	1.93%
9	Standard Chartered Nominees Account KE17605	2,544,120	0.67%
10	Standard Chartered Nominees A/C 9098AC	2,352,080	0.62%
	Total	304,615,769	80.40%

SHAREHOLDERS BY RANGE

Range	Number of Shareholders	Number of shares held	% of issued share capital
1 - 500	18,766	6,403,830	1.69%
501 - 1,000	3,595	2,425,748	0.64%
1,001 - 5,000	2,015	4,066,245	1.07%
5,001 - 10,000	276	1,928,894	0.51%
10,001 - 50,000	285	5,977,059	1.58%
50,001 - 1000,000	79	5,675,403	1.50%
Above 1,000,000	22	316,755,517	83.61%
Total	25,151	378,865,102	100.00%

SHAREHOLDING BY CATEGORY

Category	Number of Shareholders	Number of shares	% of issued share capital
Foreign Investors	320	258,712,096	68.29%
East Africa Individuals	23,174	67,547,195	17.83%
East Africa Institutions	1,156	52,605,811	13.89%
Total	24,650	378,865,102	100.00%

DIRECTOR SHAREHOLDERS

Name	Number of shares held	% of issued share capital
Bharat Kumar Thakrar (Jointly owned with Sadhna Bharat Thakrar)	51,811,360	13.68%
David Hutchison	1,200	0.00%
Richard Omwela	2,520	0.00%
Total	51,815,080	13.68%

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 2015 which disclose the state of affairs of WPP Scangroup Limited (the Company) and its subsidiaries (together, the Group).

PRINCIPAL ACTIVITY

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Ksh'000
Profit before tax	875,271
Tax charge	(396,599)
Profit for the year	478,672
Other comprehensive income	(203,368)
Total comprehensive income for the year	275,304

DIVIDENDS

The directors propose a first and final dividend of Ksh 0.50 per share totalling Ksh189,432,551 based on 378,865,102 shares in issue (2014: Ksh0.50 per share totalling Ksh189,432,551 based on 378,865,102 shares).

The payment of dividend is subject to approval by the shareholders' at the Annual General Meeting. This amount is not included in liabilities as presented in the financial statements. The proposed dividend is payable to all shareholders on the Register of Members at the close of business on 31 May 2016. Dividend payment will be subject to withholding tax where applicable.

DIRECTORS

The current members of the Board of Directors are as shown on page <?>. Mr. Muchiri Wahome retires by rotation under the provisions of Article 93 of the Articles of Association and being eligible, offers himself for re-election as a director.

Mr. David Hutchison, having attained the age of seventy years on 9 October 2014 retires in accordance with The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office in accordance with section 721(2) of the Companies Act 2015.

STATEMENT OF DIRECTORS RESPONSIBILITY

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and of their operating results for that year. It also requires the directors to ensure that the company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and its subsidiaries. They are also responsible for safeguarding the assets of the Company and its subsidiaries.

The directors are responsible for the preparation of financial statements that give a true and fair view of the financial affairs of the Company and its subsidiaries and of their operating results in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and its subsidiaries and of their operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

Jonathan Neil Eggar	Bharat Thakrar
Director	Director

27 April 2016

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WPP SCANGROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of WPP Scangroup Limited and its subsidiaries set out on page 20 to page 46 which comprise the consolidated and company statements of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Group and of the Company as at 31 December 2015 and the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii. the company's statement of financial position (balance sheet) is in agreement with the books of account.

*The engagement partner responsible for the audit resulting in this independent auditors' report is **CPA Anne Muraya – P/No 1697.***

Certified Public Accountants (Kenya)

Nairobi, Kenya

27 April 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

All figures in Ksh'000	Notes	2015	2014
Billings	7	16,791,084	16,886,418
Direct costs		(11,768,676)	(11,761,256)
Revenue		5,022,408	5,125,162
Interest income net of interest expenses	8	436,098	248,253
Other income	9	39,369	18,984
Operating and administrative expenses		(4,669,817)	(4,479,007)
Foreign exchange gain / (loss)		47,213	(1,115)
Profit before tax	10	875,271	912,277
Tax charge	11	(396,599)	(286,801)
Profit for the year	12	478,672	625,476
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		(203,368)	(43,416)
Total comprehensive income for the year		275,304	582,060
Profit attributable to:			
Equity shareholders of the parent company		423,576	567,007
Non-controlling interests		55,096	58,469
		478,672	625,476
Total comprehensive income attributable to:			
Equity shareholders of the parent company		228,727	528,830
Non-controlling interests		46,577	53,230
		275,304	582,060
Basic earnings per share (Ksh)	13	1.12	1.50
Diluted earnings per share (Ksh)	13	1.12	1.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

All figures in Ksh'000	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Equipment	14.1	492,429	517,246
Investments in associates and other equity investment	15	3,603	4,274
Deferred tax asset	16	223,308	227,190
Goodwill	17	1,612,235	1,612,235
		2,331,575	2,360,945
Current assets			
Trade and other receivables	18	5,469,701	6,765,229
Receivable from related parties	19	80,253	49,945
Work-in-progress		15,283	30,228
Tax recoverable	11.3	410,376	281,883
Cash, bank and deposit balances	20	4,161,291	3,795,874
		10,136,904	10,923,159
TOTAL ASSETS		12,468,479	13,284,104
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	378,865	378,865
Share premium		8,281,817	8,281,817
Revenue reserve / (deficit)		86,598	(147,545)
Translation deficit		(302,865)	(108,016)
Equity attributable to shareholders of the holding company		8,444,415	8,405,121
Non-controlling interests		159,845	137,510
Total equity		8,604,260	8,542,631
Non-current liabilities			
Deferred tax liability	16	9,356	7,754
Loan payable to related parties	19	176,400	293,710
		185,756	301,464
Current liabilities			
Trade and other payables	22	3,559,384	4,253,618
Tax payable	11.3	77,597	57,036
Payable to related parties	19	29,411	115,331
Dividends payable	23	12,071	14,024
		3,678,463	4,440,009
TOTAL EQUITY AND LIABILITIES		12,468,479	13,284,104

The financial statements on page 20 to page 46 were approved and authorised for issue by the Board of Directors on 27 April 2016 and were signed on its behalf by:

Jonathan Neil Eggar
Director

Bharat Thakrar
Director

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

All figures in Ksh'000	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Equipment	14.2	140,175	136,975
Investment in subsidiaries	24	6,672,795	6,788,129
Long term loan to subsidiaries	19	117,605	231,350
Deferred tax asset	16	158,410	84,893
		7,088,985	7,241,347
Current assets			
Trade and other receivables	18	1,073,623	950,896
Receivable from related parties	19	696,149	116,743
Tax recoverable	11.3	2,381	11,291
Cash, bank and deposit balances	20	3,093,358	1,915,699
		4,865,511	2,994,629
TOTAL ASSETS		11,954,496	10,235,976
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	378,865	378,865
Share premium		8,281,817	8,281,817
Revenue reserve		1,833,541	975,468
Total equity		10,494,223	9,636,150
Current liabilities			
Trade and other payables	22	564,603	585,802
Payable to related parties	19	883,599	-
Dividends payable	23	12,071	14,024
		1,460,273	599,826
TOTAL EQUITY AND LIABILITIES		11,954,496	10,235,976

The financial statements on page 20 to page 46 were approved and authorised for issue by the Board of Directors on 27 April 2016 and were signed on its behalf by:

Jonathan Neil Eggar
Director

Bharat Thakrar
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

All figures in Ksh'000	Share capital	Share premium	Revenue reserve / (deficit)	Translation deficit	Attributable to share holders of the holding company	Non-controlling interests	Total
At 1 January 2014	378,865	8,296,150	(540,567)	(69,839)	8,064,609	61,841	8,126,450
Profit for the year	-	-	567,007	-	567,007	58,469	625,476
Share issue expenses	-	(14,333)	-	-	(14,333)	-	(14,333)
Acquisition of non-controlling interests	-	-	(22,439)	-	(22,439)	22,439	-
Other comprehensive income	-	-	-	(38,177)	(38,177)	(5,239)	(43,416)
Dividend declared - 2013	-	-	(151,546)	-	(151,546)	-	(151,546)
At 31 December 2014	378,865	8,281,817	(147,545)	(108,016)	8,405,121	137,510	8,542,631
At 1 January 2015	378,865	8,281,817	(147,545)	(108,016)	8,405,121	137,510	8,542,631
Profit for the year	-	-	423,576	-	423,576	55,096	478,672
Other comprehensive income	-	-	-	(194,849)	(194,849)	(8,519)	(203,368)
Dividend declared - 2014	-	-	(189,433)	-	(189,433)	(24,242)	(213,675)
At 31 December 2015	378,865	8,281,817	86,598	(302,865)	8,444,415	159,845	8,604,260

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

All figures in Ksh'000	Share capital	Share premium	Revenue reserve	Total
At 1 January 2014	378,865	8,296,150	1,128,343	9,803,358
Loss for the year	-	-	(1,329)	(1,329)
Share issue expenses	-	(14,333)	-	(14,333)
Dividend declared - 2013	-	-	(151,546)	(151,546)
At 31 December 2014	378,865	8,281,817	975,468	9,636,150
At 1 January 2015	378,865	8,281,817	975,468	9,636,150
Profit for the year	-	-	1,047,506	1,047,506
Dividend declared - 2014	-	-	(189,433)	(189,433)
At 31 December 2015	378,865	8,281,817	1,833,541	10,494,223

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

All figures in Ksh'000	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		875,271	912,277
Depreciation on equipment	14.1	146,817	139,456
Amortisation of intangible assets		-	4,005
Provision for bad and doubtful debts	10	30,652	30,011
Net loss / (gain) on sale of assets		(1,766)	2,595
Interest income	8	(456,114)	(271,485)
Cash generated from operating activities before working capital changes		594,860	816,859
Working capital changes:			
Decrease in trade and other receivables	18	1,264,876	508,909
Decrease / (increase) in work-in-progress		14,945	(14,297)
(Decrease) / increase in trade and other payables	22	(694,234)	83,888
(Increase) / decrease in related party balances	19	(116,228)	167,587
Net working capital changes		469,359	746,087
Cash generated from operating activities		1,064,219	1,562,946
Tax paid on operating income	11.3	(444,798)	(422,323)
Net cash generated from operating activities		619,421	1,140,623
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	14.1	(144,965)	(148,864)
Proceeds from sale of equipment		15,461	32,650
Interest income received net of tax	8	331,998	203,750
Net cash generated from investing activities		202,494	87,536
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses		-	(14,333)
Loan repaid	19	(128,373)	(63,363)
Dividends paid including tax on dividend		(221,285)	(151,546)
Net cash used in financing activities		(349,658)	(229,242)
Net increase in cash and cash equivalents		472,257	998,917
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At the beginning of the year		3,763,115	2,794,849
Increase during the year		472,257	998,917
Effect of fluctuations in exchange rates		(173,160)	(30,651)
Cash and cash equivalents at end of the year	20	4,062,212	3,763,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The consolidated financial statements of WPP Scangroup Limited and its subsidiaries (the Group) for the year ended 31 December 2015 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. For the purposes of reporting under the Kenyan Companies Act, 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. 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, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

The significant accounting policies adopted remain unchanged from the previous year unless mentioned otherwise. The consolidated financial statements are presented in Kenya Shillings and all values are rounded to the nearest thousand (Ksh'000), except when otherwise indicated. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2015. 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:

- 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.

3. BASIS OF CONSOLIDATION (CONTINUED)

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 IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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

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

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.

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

Revenue comprises commission, fees and rebates earned in respect of media placements, advertising and marketing services, measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is stated exclusive of VAT, sales taxes.

4.3.1. Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the service. The stage of completion of the service is determined as follows:

- retainer fees are recognised by reference to the stage of completion of the contract period, determined as the proportion of the total contract time that has elapsed at the end of the reporting period;
- service income is recognised in the period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

4.3.2. 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 the effective interest rate.

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 the client.

4.5. Property and Equipment

4.5.1. Recognition and measurement

Items of Property and 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 Property and 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 Property and Equipment are depreciated from the date the asset is available for use. Depreciation is calculated to write off the cost of items of property and 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 property and equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its carrying value. Also refer note 4.10.

4.6. Taxation

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

4.6.1. Current tax

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

4.6.2. Deferred tax

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

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

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's leases are classified as finance leases whenever the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the consolidated income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the consolidated income statement as it is incurred.

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

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 income statements 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 liabilities are recognised in the Group's statement of financial position when the Group has become a party to the contractual provisions of the instrument.

4.9.1. Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in number of delayed payments in the portfolio, past average credit period as well as observable changes in national or economic conditions that correlate with default on receivables.

4.9.2. Cash and cash equivalents

Cash and cash equivalents include cash in hand, fixed deposits and deposits held at call with banks which are highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at realisable value.

4.10. Impairment

4.10.1. Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20 percent to be significant and a period of 9 months to be prolonged.

4.10.1. Non-derivative financial assets (Continued)

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.10.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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. Goodwill and intangible assets with indefinite useful life are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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. Employee benefits

4.11.1 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.

4.11.2. 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.

4.12. 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, with a corresponding adjustment to the equity-settled employee benefits reserve.

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.

4.13. 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 (IFRS)

5.1. Relevant new standards and amendments to published standards effective for the year ended 31 December 2015

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

IFRS 13 Fair Value Measurement

The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.

As the group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the group's financial statements.

IAS 16 Property, Plant and Equipment; IAS 38 Intangible Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

As the Group does not have any CGU to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

5.1. Relevant new standards and amendments to published standards effective for the year ended 31 December 2015 (Continued)

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the group's financial statements.

Annual Improvements 2011-2013

The annual improvements 2011-2013 cycle makes amendments to the following standards:

- IFRS 3 — The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
- IAS 40 — The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether:

  (a) the property meets the definition of investment property in accordance with IAS 40; and

  (b) the transaction meets the definition of a business combination in accordance with IFRS 3.

  An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date (i.e. 1 July 2014) if and only if information needed to apply the amendment to earlier transactions is available to the entity.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2016. The new terminologies have been adopted in these financial statements. In other respects the application of the amendments does not result in any impact on consolidated profit or loss, other comprehensive income and total comprehensive income.

5.2. Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015

The Group has not applied the following new and revised IFRSs and IFRICs that have been issued but are not yet effective:

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
Amendments to IAS 1	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS's Annual improvements	1 January 2016

5.3. Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods

IFRS 9 Financial Instruments

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9, specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.
- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and de-recognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

- the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
- hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The directors of the group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities

5.3. Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the group's financial statements.

Amendments to IAS 1 (Disclosure Initiative)

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:

  - the share of other comprehensive income of associates and joint ventures accounted for using

  - the equity method that will not be reclassified subsequently to profit or loss; and

  - the share of other comprehensive income of associates and joint ventures accounted for using

  - the equity method that will be reclassified subsequently to profit or loss.

Application of the amendments need not be disclosed. The directors of the group anticipate that the application of IAS 1 in the future may not have a significant impact on amounts reported in respect of the group's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the group uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

The directors of the group do not anticipate that the application of the standard will have a significant impact on the group's financial statements.

Annual Improvements 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendment clarifies that such a change is considered as a continuation of the original plan of disposal and accordingly an entity should not apply paragraphs 27-29 of IFRS 5 regarding changes to a plan of sale in those situations.

The amendments to IFRS 7 provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Also, the amendment clarifies that the offsetting disclosures are not specifically required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to satisfy the requirements in IAS 34 Interim Financial Reporting.

The amendments to IAS 19 clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The basis for conclusions to the amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level which is consistent with the currency in which the benefits are to be paid. For currencies for which there is no deep market in such high quality bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency should be used.

The directors of the group do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

5.4. Early adoption of standards

The Group did not early-adopt new or amended standards in 2015.

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.

The key areas of judgement in applying the Group's accounting policies are dealt with below:

6.1. Critical judgements in applying accounting policies

6.1.1. Equipment

Critical estimates are made by the directors, in determining depreciation rates for equipment.

6.1.2. Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

6.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6.2.1. Useful lives of equipment

As described above, the Group reviews the estimated useful lives of equipment at the end of each annual reporting period.

6.2.2. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and suitable discount rate in order to calculate present value.

7. BILLINGS

The Group's billings are derived from sales in the following markets:

All figures in Ksh'000	2015	2014
Kenya (including export sales)	10,379,388	11,392,579
Uganda	1,010,294	1,035,758
Tanzania	1,916,251	1,995,958
South Africa	527,477	446,167
Ghana	1,631,670	1,298,073
Nigeria	633,943	475,689
Others	692,061	242,194
	16,791,084	16,886,418

8. INTEREST INCOME NET OF INTEREST EXPENSES

All figures in Ksh'000	2015	2014
Interest on deposits	451,629	265,929
Other Interest	4,485	5,556
	456,114	271,485
Interest expense	(20,016)	(23,232)
	436,098	248,253

9. OTHER INCOME

All Figures in Ksh'000	2015	2014
Profit on disposal of assets	2,765	3,494
Bad debts earlier written off now recovered	10,199	7,462
Cash discount	6,159	4,301
Other incomes	20,246	3,727
	39,369	18,984

10. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

All figures in Ksh'000	2015	2014
Staff costs		
- Salaries and wages	2,729,839	2,602,189
- Social security	137,044	122,015
- Medical expenses	65,016	50,708
- Leave pay	7,095	2,929
- Other staff cost	194,738	402,700
	3,133,732	3,180,541
Operating lease rentals	275,430	229,356
Travel and transport	188,594	193,934
Depreciation	146,817	139,456
Communication	87,084	67,230
Printing and stationery	15,238	25,762
Provision for bad and doubtful debts	30,652	30,011
Auditors' remuneration	34,181	26,217
Loss on sale of assets	999	6,089
Amortisation of intangible assets	-	4005
Directors' remuneration		
- non-executive directors' fee	2,000	2,000
- non-executive directors' emoluments	720	480
- executive directors' emoluments	98,276	75,212

11. TAXATION

11.1. Tax expense

All figures in Ksh'000	2015	2014
Current taxation based on the adjusted profit		
For companies at 30%	328,704	349,377
For companies charged at different rates	66,697	45,062
Prior year under provision	3,843	-
	399,244	394,439
Deferred tax		
- current year credit	(49,207)	(107,638)
- prior year under provision	46,562	-
	(2,645)	(107,638)
Total tax expense for the year	396,599	286,801

11.2. Reconciliation of expected tax based on accounting profit to tax expense

All figures in Ksh'000	2015	2014
Accounting profit before taxation	875,271	912,277
Tax at the applicable rate of 30%	262,581	273,683
Effect of expenses not deductible for tax purposes	27,169	23,621
Effect of companies charged at different rate	(9,937)	(10,503)
Deferred tax asset not recognised in the current year	24,552	-
Deferred tax asset recognised in previous years reversed	36,172	-
Tax paid on intercompany dividend income	5,657	-
Prior years under provision of deferred taxes	46,562	-
Prior years under provision of income taxes	3,843	-
	396,599	286,801

11.3. Movement in net of tax recoverable

All figures in Ksh'000	GROUP		COMPANY	
	2015	2014	2015	2014
At beginning of the year	224,847	166,827	11,291	25,686
Tax paid	508,251	457,299	103,683	50,266
Charge for the year	(399,244)	(394,439)	112,593)	(64,661)
Effect of exchange rate difference	(1,075)	(4,840)	-	-
At the end of the year	332,779	224,847	2,381	11,291
Breakup of net tax recoverable				
Tax recoverable	410,376	281,883	2,381	11,291
Tax payable	(77,597)	(57,036)	-	-
	332,779	224,847	2,381	11,291

12. PROFIT FOR THE YEAR

Of the total group profit after tax, Ksh65.47million (2014:Loss of Ksh1.33million) has been dealt with in the separate financial statements of WPP Scangroup Limited. This amount excludes intercompany dividend incomes (Ksh982.03million) which are eliminated on consolidation.

13. EARNINGS PER SHARE

13.1. Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	2015	2014
Profit attributable to shareholders of the holding company (Ksh'000)	423,576	567,007
Weighted average number of shares (in thousands)	378,865	378,865
Basic earnings per share (Ksh)	1.12	1.50

13.2. Diluted earnings per share

Diluted earnings 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 2015 and 31 December 2014 no such instruments were outstanding. Hence Diluted earnings per share is same as Basic earnings per share presented in Note 13.1.

14. EQUIPMENT

14.1. Equipment - Group

All figures in Ksh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2014	474,685	122,508	469,242	1,066,435
Additions	84,381	22,004	42,479	148,864
Disposals	(3,076)	(41,539)	(25,537)	(70,152)
Fx adjustment	(3,657)	(1,356)	(3,278)	(8,291)
At 31 Dec 2014	552,333	101,617	482,906	1,136,856
At 1 January 2015	552,333	101,617	482,906	1,136,856
Additions	55,362	48,005	41,598	144,965
Disposals	(12,025)	(11,667)	(12,257)	(35,949)
Fx adjustment	(6,459)	(153)	(10,457)	(17,069)
At 31 Dec 2015	589,211	137,802	501,790	1,228,803
DEPRECIATION				
At 1 Jan 2014	270,395	71,412	179,751	521,558
Charge for the year	80,526	16,458	42,472	139,456
Elimination on disposal	(2,000)	(29,418)	(3,489)	(34,907)
Fx adjustment	(2,763)	(1,075)	(2,659)	(6,497)
At 31 Dec 2014	346,158	57,377	216,075	619,610
At 1 January 2015	346,158	57,377	216,075	619,610
Charge for the year	82,214	18,920	45,683	146,817
Elimination on disposal	(5,627)	(7,104)	(9,523)	(22,254)
Fx adjustment	(3,426)	235	(4,608)	(7,799)
At 31 Dec 2015	419,319	69,428	247,627	736,374
NET BOOK VALUE				
At 31 Dec 2015	169,892	68,374	254,163	492,429
At 31 Dec 2014	206,175	44,240	266,831	517,246

14.2. Equipment - Company

All figures in Ksh'000	Computers and accessories	Motor vehicles	Furniture, fittings and equipment	Total
COST				
At 1 January 2014	215,909	32,192	52,996	301,098
Additions	12,936	5,189	7,708	25,833
Disposals	-	(18,545)	-	(18,545)
At 31 Dec 2014	228,845	18,836	60,704	308,386
At 1 January 2015	228,845	18,836	60,704	308,386
Additions	14,179	31,570	4,917	50,666
Disposals	(487)	(1,410)	(2,545)	(4,442)
At 31 Dec 2015	242,537	48,996	63,076	354,610
DEPRECIATION				
At 1 Jan 2014	108,531	22,320	10,120	140,971
Charge for the year	35,593	2,792	6,053	44,438
Elimination on disposal	-	(13,999)	-	(13,999)
At 31 Dec 2014	144,124	11,113	16,173	171,410
At 1 January 2015	144,124	11,113	16,173	171,410
Charge for the year	33,343	6,839	5,726	45,908
Elimination on disposal	(342)	(1,135)	(1,407)	(2,884)
At 31 Dec 2015	177,125	16,817	20,492	214,434
NET BOOK VALUE				
At 31 Dec 2015	65,412	32,179	42,584	140,175
At 31 Dec 2014	84,721	7,723	44,531	136,975

15. INVESTMENT IN ASSOCIATES AND OTHER EQUITY INVESTMENTS

As at 31 December 2015 O&M Africa B.V., a 100% subsidiary of WPP Scangroup Limited, owned equity shares in the following companies:

Company	Country	% shares
ASSOCIATE COMPANIES		
Ogilvy & Mather Advertising Namibia (Proprietary) Ltd.	Namibia	30.0%
Ogilvy Zimbabwe (Private) Ltd.	Zimbabwe	25.0%
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%
OTHER EQUITY INVESTMENT		
Prima Garnet Communications Ltd.	Nigeria	12.6%

The associate companies are accounted for using the equity method in these consolidated financial statements. The Group does not recognise any of them as material. Accordingly additional disclosure as required by IFRS 12 are not made.

Profits of the associate companies have not been included in the consolidated profit or loss because of considerations of the requirements of IAS 39 and IAS 36 on impairment. Recognition of profits from the associate companies would cause their carrying amounts to be less than the recoverable amounts which would trigger impairment losses to be recognised as part of the carrying amount of the investments in associates.

16. 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 Ksh'000	GROUP		COMPANY	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
(Accelerated capital allowances) / excess depreciation	(9,543)	(5,016)	(1,697)	3,888
Unrealised exchange (gain) / losses	(1,197)	12,921	(797)	(476)
Tax losses carried forward	200,799	147,597	159,750	62,664
Provisions	23,893	63,934	1,154	18,817
	213,952	219,436	158,410	84,893
Movement in net deferred tax asset is as follows				
At beginning of period	219,436	112,642	84,893	30,305
Credit for the year	49,207	107,638	73,517	54,588
Prior year under provision	(46,562)	-	-	-
Fx adjustment	(8,129)	(844)	-	-
At end of period	213,952	219,436	158,410	84,893
Breakup of deferred tax asset and liability				
Deferred tax asset	223,308	227,190	158,410	84,893
Deferred tax liability	(9,356)	(7,754)	-	-
	213,952	219,436	158,410	84,893

17. GOODWILL

Goodwill represents consideration paid in excess of fair value of net assets acquired. The following table contains the breakdown of the value at cost by entities to which goodwill relates.

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
Millward Brown East Africa Ltd.	1,273,197	1,273,197
O&M Africa B.V.	152,929	152,929
GroupM Africa Ltd.	83,548	83,548
Ogilvy Kenya Ltd.	79,194	79,194
Hill+Knowlton Strategies (South Africa) Pty. Ltd.	23,367	23,367
Total	1,612,235	1,612,235

The directors have assessed the goodwill for impairment. Based on the present value of the expected cash inflows from all the entities listed above the directors are of the opinion that goodwill is not impaired since the date of initial recognition.

18. TRADE AND OTHER RECEIVABLES

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
GROUP		
Trade receivables	4,696,295	6,125,697
Less: Provision for bad and doubtful debts	(69,106)	(83,872)
	4,627,189	6,041,825
VAT recoverable	319,716	294,143
Staff recoverable	51,247	51,806
Other receivables and pre-payments	471,549	377,455
	5,469,701	6,765,229
COMPANY		
Trade receivables	880,227	814,809
Less: Provision for bad and doubtful debts	(27,938)	(34,295)
	852,289	780,514
VAT recoverable	42,300	22,215
Staff recoverable	11,503	17,152
Other receivables and pre-payments	167,531	131,015
	1,073,623	950,896

19. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation.

All figures in Ksh'000	GROUP	
	31 Dec 2015	31 Dec 2014
Balances recoverable from related parties		
Due after one year		
Current receivables from fellow subsidiaries	80,253	49,945
Loan payable to related parties		
Dolphin Square Holding B.V.	176,400	176,400
Russell Square Holding B.V.	-	24,858
WPP Holdings (Mauritius) Ltd.	-	92,452
	176,400	293,710
Provision for interest on loan (Note 1)	27,796	22,095
Total payable	204,196	315,805
Other balances payable to related parties		
Current payable to fellow subsidiaries	1,615	93,236
Related party transactions during the year		
Sale of services	106,675	95,674
Purchase of services	61,289	382,696
Remuneration of directors	100,996	77,692
Directors' remuneration - Executive directors' emoluments	98,276	75,212

Note 1: The amount is included in trade and other payables under current liabilities because interest on loan is payable within 12 months from the year end.

19. RELATED PARTIES (CONTINUED)

All figures in Ksh'000	COMPANY	
	31 Dec 2015	31 Dec 2014
Balances recoverable from related parties		
Due after one year		
Loan recoverable from various subsidiaries	117,605	231,350
Due within one year		
Current receivables from various subsidiaries	696,149	116,743
Other balances payable to related parties		
Various subsidiaries	883,599	-
Related party transactions during the year		
Sale of services	380,155	283,411
Purchase of services	122,904	74,215
Remuneration of directors	100,996	77,692
Directors' remuneration - Executive directors' emoluments	98,276	75,212

20. CASH AND BANK BALANCES

All figures in Ksh'000	GROUP	
	31 Dec 2015	31 Dec 2014
Cash in hand	5,817	5,338
Bank balance	624,194	466,394
Short term deposits		
- Fixed deposits with banks	3,466,240	3,277,434
- Call deposits with banks	5,114	14,192
	4,101,365	3,763,358
Bank overdraft (Note 25)	(39,153)	(243)
Cash and cash equivalents	4,062,212	3,763,115
Accrued interest on fixed deposits	99,079	32,759
	4,161,291	3,795,874

20. CASH AND BANK BALANCES (CONTINUED)

All figures in Ksh'000	COMPANY	
	31 Dec 2015	31 Dec 2014
Cash in hand	1,806	1,722
Bank balance	16,402	46,119
Short term fixed deposits	3,013,189	2,114,384
	3,031,397	2,162,225
Bank overdraft (Note 25)	(37,118)	(279,285)
Cash and cash equivalents	2,994,279	1,882,940
Accrued interest on fixed deposits	99,079	32,759
	3,093,358	1,915,699

The deposits are held with reputed commercial banks and mature within 3 months after the year end. The effective interest on the fixed deposits for the year ended 31 December 2015 was 12.60 % (2014: 10.8%) while the effective interest rate on the call deposits was 15.07 % (2014: 9.0%).

21. SHARE CAPITAL – GROUP AND COMPANY

Authorised and issued shares

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
Authorised share capital:		
Ordinary shares 400,000,000 (2014: 400,000,000) of Ksh 1 each	400,000	400,000
Issued and fully paid up shares		
Ordinary shares 378,865,102 (2014: 378,865,102) of Ksh 1 each	378,865	378,865

22. TRADE AND OTHER PAYABLES

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
GROUP		
Trade payables	2,853,624	3,737,196
Other payables	609,970	405,171
Leave pay provision	49,687	43,704
VAT payable	46,103	67,547
	3,559,384	4,253,618
COMPANY		
Trade payables	536,170	534,739
Other payables	24,591	47,221
Leave pay provision	3,842	3,842
	564,603	585,802

23. DIVIDENDS PAYABLE

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
At 1 January	14,024	14,024
Dividends declared	213,675	151,546
Dividends paid	(215,628)	(151,546)
At 31 December	12,071	14,024

24. INVESTMENT IN SUBSIDIARIES AT COST

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
Ogilvy Kenya Ltd.	1,866,659	1,866,659
Millward Brown East Africa Ltd.	1,693,569	1,693,569
Ogilvy Africa Ltd.	1,494,001	1,494,001
O&M Africa B.V.	671,911	671,911
Scangroup Mauritius Holding Ltd.	365,534	480,868
Hill & Knowlton East Africa Ltd.	245,123	245,123
Ogilvy Tanzania Ltd.	135,912	135,912
GroupM Africa Ltd.	84,542	84,542
Scanad Kenya Ltd.	40,000	40,000
Scanad East Africa Ltd.	31,500	31,500
Scanad Africa Ltd.	15,000	15,000
MIA Mauritius Ltd.	10,006	10,006
J. Walter Thompson Kenya Ltd.	18,000	18,000
Squad Digital Ltd.	408	408
MEC Africa Ltd.	550	550
Mediacompete East Africa Ltd.	40	40
Grey East Africa Ltd.	40	40
	6,672,795	6,788,129

WPP Scangroup Limited owns 100% equity ownership in the companies listed in the above table except J. Walter Thompson Kenya Ltd. and Squad Digital Ltd. in which its equity ownership is 90% and 51% respectively.

Equity investment in Scangroup Mauritius Holding Ltd. amounting to Ksh 115.33 million for which shares were not allotted was refunded during the year.

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

	% Shares
Scanad Uganda Ltd.	100%
Roundtrip Ltd.	100%
Scanad Tanzania Ltd.	82%
JWT Tanzania Ltd. (subsidiary of Scanad Tanzania Ltd.)	82%

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

	% Shares
STE Scanad DRC	100%
Scanad Burundi Ltd. SPRL	100%
Scanad Rwanda Ltd.	100%
JWT Uganda Ltd.	100%
Scangroup (Malawi) Ltd.	100%
Scangroup (Zambia) Ltd.	100%
Scangroup Mozambique Limitada	100%

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

25. BANK OVERDRAFT

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 Ksh500million and forward exchange contract facility of USD12 million from CfC Stanbic Bank Limited. The utilisation of these facilities are monitored at a group level. Securities offered for the facilities are as follows:

(i) A Joint and several debentures over all the present and future moveable and immovable assets of WPP Scangroup Limited and all the subsidiaries in Kenya for an amount of Ksh500million.

(ii) Cross corporate guarantees and indemnities by WPP Scangroup Limited and its subsidiaries in Kenya for an amount of Ksh500million.

(iii) Right of set-off.

26. DIVIDENDS

The directors propose a first and final dividend of Ksh0.50 per share totalling Ksh189,432,551 based on 378,865,102 shares in issue. (2014: Ksh0.50 per share totalling Ksh189,432,551 based on 378,865,102 shares)

The payment of dividend is subject to approval by the shareholders' at the Annual General Meeting. This amount is not included in liabilities as presented in the financial statements. Dividend payment will be subject to withholding tax where applicable.

27. CAPITAL COMMITMENTS

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
Authorised but not contracted	-	-
Authorised and contracted	-	28,070
	-	28,070

28. OPERATING LEASE COMMITMENTS

The total future minimum lease payments due to third parties under non-cancellable operating leases for various office premises are as follows:

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
Within 1 year	254,055	211,206
Within 2 to 3 years	290,868	474,453
	544,923	685,659

29. CONTINGENT LIABILITIES

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
Pending claims	11,860	38,862
Guarantees	18,687	10,105
	30,547	48,967

These relate to claims against the Group by various parties. 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, the directors' do not expect any significant liability to arise from these pending matters.

30. RISK MANAGEMENT POLICIES

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

30.1. 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's 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 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 the shareholder. 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.

All figures in Ksh'000	31 Dec 2015	31 Dec 2014
Share capital	378,865	378,865
Share premium	8,281,817	8,281,817
Revenue reserve / (deficit)	86,598	(147,545)
Translation deficit	(302,865)	(108,016)
Non controlling interests	159,845	137,510
Total Equity	8,604,260	8,542,631
Loan payable to a related party	176,400	293,710
Less: Cash, bank and deposits balances	4,161,291	3,795,874
Excess of Cash, bank and deposits over borrowings	(3,984,891)	(3,502,164)
Gearing ratio	N/A	N/A

30.2. 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.

30.3. Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bank balance and short term deposits. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and assessment of the prevailing economic environment.

The management assesses the creditworthiness of all clients by reviewing available financial information. Payment history of the client is used to review the maximum credit limits.

Exposure to client is also managed through other mechanisms such as the right to offset where a client is also a vendor of the company.

Credit risk on trade receivables is less because the majority of the Group's clients are multinational companies with high credit ratings.

Credit risk on liquid funds with financial institutions is also low, because funds are held by banks with good credit-standing.

Amount that best represents the Group's maximum exposure to credit as at 31 December 2015 is made up as follows:

All figures in Ksh'000	Fully performing	Past due	Impaired	Total
At 31 Dec 2015				
Bank balance	624,194	-	-	624,194
Deposits	3,570,433	-	-	3,570,433
Trade receivables	3,564,924	1,062,265	69,106	4,696,295
	7,759,551	1,062,265	69,106	8,890,922
Less: Provision	-	-	(69,106)	(69,106)
Net performing assets	7,759,551	1,062,265	-	8,821,816
At 31 Dec 2014				
Bank balance	466,394	-	-	466,394
Deposits	3,324,385	-	-	3,324,385
Trade receivables	4,988,324	1,053,501	83,872	6,125,697
	8,779,103	1,053,501	83,872	9,916,476
Less: Provision	-	-	(83,872)	(83,872)
Net performing assets	8,779,103	1,053,501	-	9,832,604

The customers under the fully performing category settle their balance in the normal course of trade. Trade receivable that are past due are not doubtful. Out of the total past due amount of Ksh1,062million (2014:Ksh1,053million) a sum of Ksh739million (2014:Ksh846million) has been settled subsequent to the year-end. The credit control department actively follows the debts that are past due. The group does not hold any collateral or other securities to cover client credit risk.

Bank balances and short term deposits are fully performing. Those amounts are held in reputable banks, which have a high credit rating.

30.3.1. 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 25 for details of bank credit facilities the Group has.

The table below analyses the Group'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.

All figures in Ksh'000	Less than 1 month	Between 1 - 3 months	Over 3 months	Total
At 31 Dec 2015				
Shareholders loan*	-	-	204,196	204,196
Trade payables	1,275,429	965,375	612,820	2,853,624
	1,275,429	965,375	817,016	3,057,820
At 31 Dec 2014				
Shareholders loan*	-	-	315,805	315,805
Trade payables	1,613,371	1,351,525	772,330	3,737,196
	1,613,371	1,351,525	1,088,105	4,053,001

* Including interest

30.3.2. Interest rate risk

Interest rate risk arises primarily from bank borrowings and borrowings from related parties. The potential impact of 1% increase or decrease in interest rate on profitability of the company would have been an increase or decrease of Ksh1.38million (2014: Ksh1.94million)

30.3.3. 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 2015, if the average exchange rate for the year was 5% higher or lower, the profit before tax would have increased or decreased by approximately Ksh8.3million (2014: Ksh8.4million).

30.3.4. Price risk

Price risk arises from fluctuations in the prices of equity investments. At 31 December 2015 and 31 December 2014, the group did not hold investments that would be subject to price risk; hence this risk is not applicable.

30.3.5. Concentration risk

The Group does not have any significant credit risk exposure to any single counter party or any Group of counter parties.

31. SEGMENTAL REPORTING

The disclosure requirements of IFRS 8 Operating Segments are not applicable to the group. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the Chief Operating decision Maker (CODM) in order to allocate resources to the segments and to assess performance. Thus, under IFRS 8, the major reporting segment is advertising and media investment management with other income comprising less than 10% of total income. This is the information which has been reported in these financial statements. Refer note 7.

32. INCORPORATION

The Company is domiciled and incorporated in Kenya as a public limited liability company under the Companies Act (Cap. 486). 50.1% shares of the Company are beneficially held by WPP plc, a company incorporated in Jersey. Financial statements of WPP plc are available at www.wpp.com.

www.wpp-scangroup.com

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