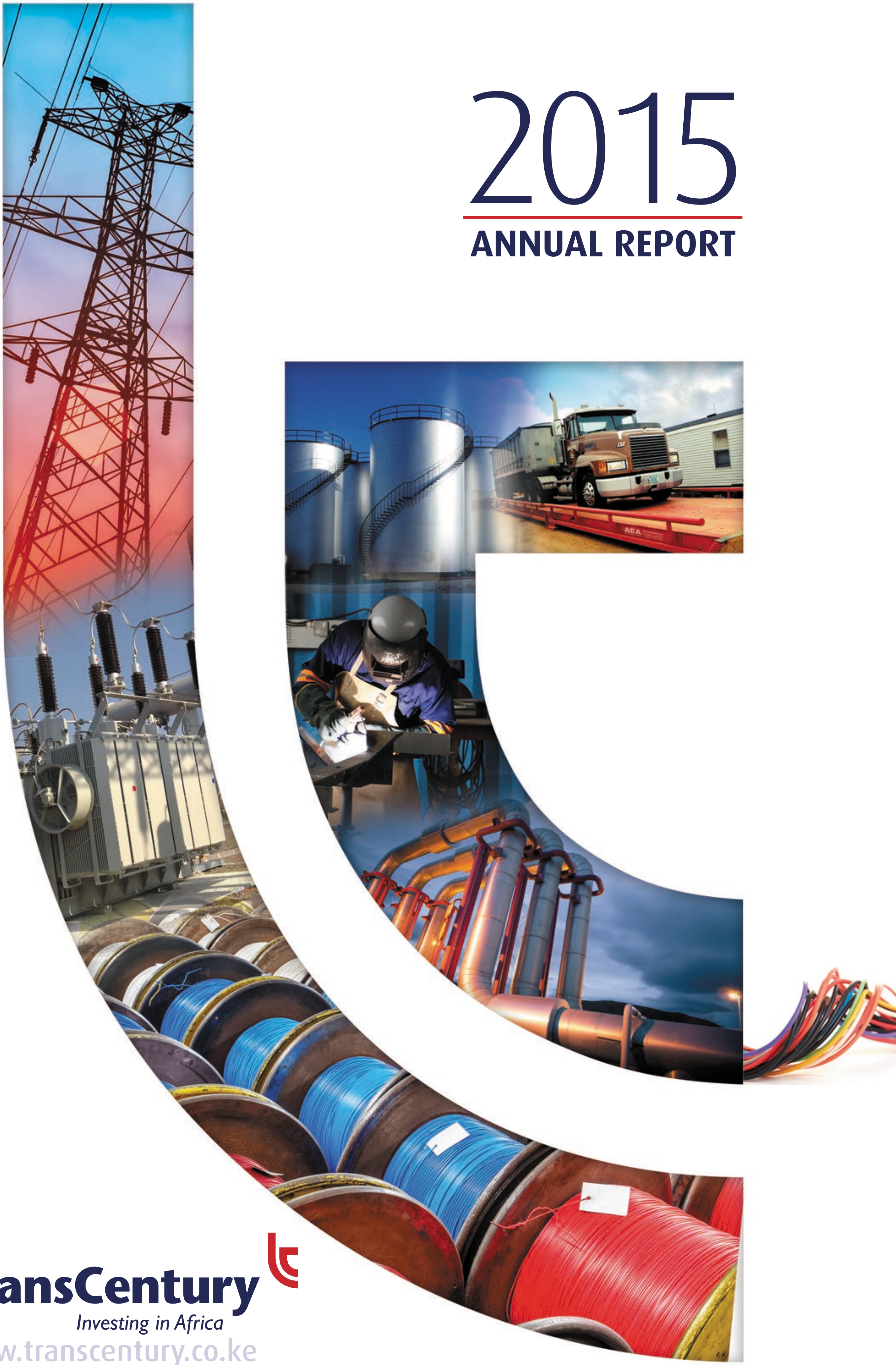
2015
ANNUAL REPORT



TransCentury
Investing in Africa
www.transcentury.co.ke

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Who we are

TransCentury is an Infrastructure Company listed on the Nairobi Securities Exchange with three Divisions across 12 countries in East, Central and Southern Africa.

Power Division

- Electrical cables;
- Conductors;
- Transformers;
- Switchgear
- Speciality cables

Engineering Division

- Mechanical and civil engineering;
- Transport & logistics; and
- Cranage & erection services
- Supply, maintenance and service of industrial equipment

Infrastructure Projects Division

Critical energy and transport infrastructure to support key pillars of the domestic and export economy

TransCentury delivers value through three divisions to four main markets

ENERGY / INFRASTRUCTURE
COMMERCIAL
RESIDENTIAL
MINING / INDUSTRIAL

OUR INVESTMENT PRESENCE

Kenya • Tanzania • Uganda
Zambia • DRC • South Africa
Ethiopia • South Sudan • Rwanda
Burundi • Zimbabwe • Mozambique

East African Cables | KEWBERG CABLES | Câbleries du Congo | TANELEC | TANELEC Zambia | civicon | AEA AVERY EAST AFRICA

TransCentury's Historical Timeline

Power Division

2004
- Acquisition of East African Cables from Sameer Group

2005
- Strategic relationship signed with Nexans Cable of France
- Acquisition of East African Cables Tanzania from Nexans
- Opening up of Rwanda sales office for EACL

2006
- Opening of Uganda sales office for EACL

2007
- Acquisition of Kewberg Cables and Braids (SA) Pty.
- Acquisition of Tanelec, the sole transformer manufacturer in the region, from ABB
- Installation of new Aluminium line at East African Cables Kenya

2010
- Tripling of capacity of East African Cables Kenya completed
- Tripling of capacity at Tanelec completed
- Acquisition of Cableries du Congo
- Strategic relationship signed with LS Cables of Korea

2011
- Investment in the brown field operations in Zambia

2012
- Additional capital expenditure towards increasing efficiency in the production plant

2013
- EAC - Investment in plant & machinery to expand product offering and improve efficiency, new site for expansion, new legislation requiring 40% local content in Kenya
- Kewberg - New factory layout and investment in plant & machinery to improve capacity & efficiency at Kewberg

2014 - 15
- Expansion of Copper plant and additional machinery to triple the current capacity in East African Cables and Kewberg completed. The project in East African Cables included erecting a new factory building and installing modern cable making machinery.

Engineering Division

2005
- Acquisition of Avery from Avery Berkel and several individual shareholders, whose legacy businesses were industrial weighing solutions

2006
- Reorganisation of Avery to achieve cost and perfomance improvement

2007
- Introduction of power generation sales
- Launch of power transmission project business

2009
- Launch of bearings business
- Launch of substation construction business

2010
- Avery branches opened in Tanzania and Uganda construction business

2011
- Acquisition of Civicon from the founders of the family business

2012
- Focus on:
  - Power generation through construction and outfitting of Methane Gas Power Barge on Lake Kivu in Rwanda
  - Oil & Gas through construction of a fuel storage depot for Tristar in Malakal in S. Sudan

2013
- Focus on:
  - Oil & Gas sector through construction of well pads in Nothern Kenyafor Tullow Oil and Total E&P in Uganda
  - Power generation through expansion of Geothermal Power Station in Naivasha for Ormat to a capacity of 125MW
  - Mining sector through construction of 500 km of roads and 3 new Gold mines including the 2nd largest Gold mine in Africa, based in DRC and building of a new mine in Kwale for Base Titanium, in Kenya

2014
- Building strategic relationships with stakeholders to position the division as the leading local provider of engineering and contracting services
- TCL through it's subsidiary TC Engineering & Contracting Ltd. (TCEC) acquired an additional 30.4% shareholding in Civicon DRC Holdings Ltd. (DRC Holdings), the holding company of the Civicon Congo subsidiary (Democratic Republic of Congo Operations). TCL now holds 100% shareholding in DRC Holdings through TCEC.

2015
- TCL through it's TC Engineering and Contracting Ltd. (TCEC) acquired an additional 16% shareholding in Civicon Africa Group Ltd. (CAGL), the holding company of the Civicon Group of companies. TCL now holds 78% shareholding in CAGL through TCEC.

Value Drivers

Power Division

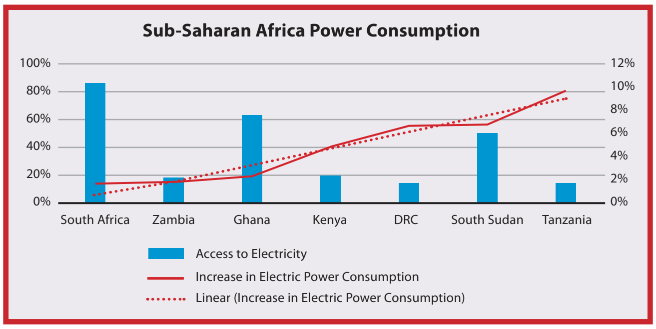
The Power Division is the leading manufacturer of electrical cables and transmission equipment in East, Central and Southern Africa, with a broad customer base that includes retail outlets, large & small electrical contractors, large projects and utilities. Sub-Saharan Africa's electricity access is extremely low compared to the rest of the world. It has 13 percent of the world's population, but 48 percent of the share of the global population without access to electricity. Electricity demand is expected to rise as the economies expand and various energy intensive commercial activities emerge across the region including mining, industrial manufacturing, large scale irrigation, petro-chemicals industries, ports, rails, petroleum pipelines and development of special economic zones. The demand for electrification is also a factor of the rising rates of urbanisation within the region. This presents an exciting growth opportunity for TransCentury's Power Division through:

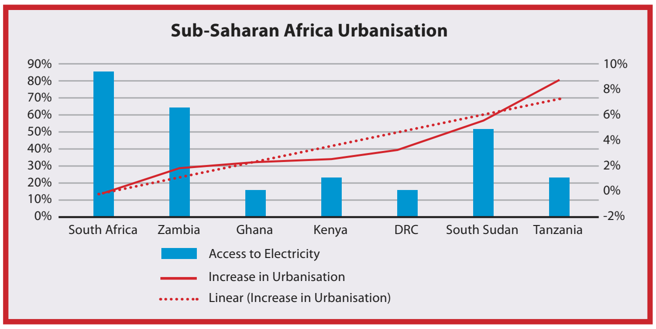
- Manufacture of distribution transformers and switchgear through Tanelec
- Distribution and manufacture of cables through EAC
- Transmission lines through EAC
- Manufacture of specialised cables for mining, oil & gas and special applications

The diagrams below illustrate the likely evolution of the sub-Saharan African power sector and the resulting opportunities for the players who will help propel it. An increase the current rate of electrification is expected with the increased demand for electricity which is driven by growth in industrialization and growth in the urban population. (see graphs below)

Other opportunities for our Power Division include:

- The enforcement of the Government's policy favouring local sourcing of key products in the power sector from local manufacturers.
- Significant growth is expected from ongoing programs by utilities throughout the region to rehabilitate existing grids, increase new connections and augment power generation through geothermal, wind, coal and gas.
- Growing private sector demand from housing sector for regular housing and large developments.
- Mega infrastructure projects creating new markets e.g. highways, railways, stadiums.
- Our expanded and modernized plants will provide additional capacity and flexibility to offer a wide product range to cover the Eastern and Central African region.





Source: World Bank

Value Drivers *(continued)*

Engineering Division

The Engineering Division is the leading Mechanical and Civil Engineering & Contracting firm in East and Central Africa. The Division also provides specialised engineering in niche sectors such as oil and gas (upstream and downstream), mining and industrial installations, as well as related out-of-gauge logistics, cranage and erection services through its subsidiary, Civicon. It also distributes and services mission critical industrial equipment in weighing, power transmission, coding and marking as well as power backup through AEA Limited (formerly Avery East Africa Limited). Its competencies in engineering, logistics, cranage and erection can be utilised at many stages during the life cycle of any infrastructure project. In the backdrop of regional growth trends in infrastructure, industrial activity, mining, oil and gas exploration, the Engineering Division is strategically well positioned to take advantage of the opportunities available in these sectors.

Demand for engineering services continues to grow driven by:

- Development of power generation plants and transmission lines in the region, through public-private-partnerships (in which TransCentury itself is participating), is quickly driving up generating capacity and consequently further expanding the need for TransCentury's products and services.
- Likewise, the increasing private sector participation in transport infrastructure projects in Africa, through public-private-partnerships, is boosting growth in the transport infrastructure sector, such as the 10,000 km annuity financed road project planned for Kenya and toll roads planned in Zambia and DRC.
- Investment by Governments in the development of new oil & gas pipelines, ports, airports, and railways as well as upgrades of existing infrastructure in line with medium and long term strategic plans in our countries of operation, continues to spur growth for the engineering business.
- General growth in economies in the region has spurred investments in industry and the construction of industrial installations with related infrastructure.
- Supply and maintenance of industrial equipment with growth in industry.
- The development of the nascent mining sector, leading to new mine builds in Eastern, Central and Southern African regions, continues to be an area of growth for the Company, particularly in the DRC (gold mining) and Kenya (rare earths).
- New opportunities in mining and power generation concessions related to resource extraction in the region (especially coal in Kenya and Tanzania) are presenting opportunities for TransCentury and its partners, both for investing in the concessions and also large scale construction work.
- Development of the oil & gas sector. The discovery of natural resources such as on-shore oil in Northern Kenya and the large gas deposits in Southern Tanzania is creating significant opportunities as the Group continues to serve its oil and gas clients on their infrastructure needs.
- Focus on building strategic relationship with key technical partners, who have a strong track record for delivering similar infrastructure projects internationally.
- The introduction of disruptive technology i.e. Velocity Patching to address perennial infrastructure problem in more innovative ways.

Value Drivers *(continued)*

Infrastructure Projects Division

This Division is involved in developing high-return infrastructure projects in partnerships with key technical partners and has a strong pipeline of projects. The Division is focused on power generation plants, annuity & toll roads, railways and other similar infrastructure projects. The focus is on critical energy and transport infrastructure to support key pillars of the domestic and export economy. TransCentury adds value by originating, building and operating the infrastructure projects.

Demand for infrastructure investment opportunities continues to grow driven by the following:

- Development of power generation plants and transmission lines in the region, through public-private-partnerships.
- Development of Transport Infrastructure in the region through public-private-partnerships.
- The discovery of minerals and oil & gas as well as growth in industry leading to large installations requiring significant private infrastructure and captive power that would be supplied under build-operate- transfer framework.
- Other unique opportunities for public-private-partnerships under county and regional governments' infrastructure investment programs.
- Increased opportunities to manage public infrastructure through concessions.
- Development of mining assets through concessions.

Directors and Statutory Information

DIRECTORS

Zephaniah Mbugua - Chairman	
Peter Kanyago	
Robin Kimotho	
Dennis Awori	Appointed 1 December 2015
Michael Waweru	Appointed 1 December 2015
Joseph Karago	Resigned 15 January 2016
Gachao Kiuna	Resigned 14 January 2016
Carol Musyoka	Resigned 30 November 2015
Ngugi Kiuna	Resigned 29 May 2015
Njeru Kirira	Resigned 29 May 2015

SECRETARY

Virginia Ndunge
Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Ngong Avenue
PO Box 40111, 00100 Nairobi GPO

AUDITORS

KPMG Kenya
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612
00100 Nairobi GPO

REGISTERED OFFICE

8th Floor, West End Towers
Off Waiyaki Way
PO Box 42334
00100 Nairobi GPO

PRINCIPAL PLACE OF BUSINESS

8th Floor, West End Towers
Off Waiyaki Way
PO Box 42334
00100 Nairobi GPO

ADVOCATES

Muthaura Mugambi Ayugi &
Njonjo Advocates
4th Floor, West Wing, Capitol Hill Square
Off Chyulu Road, Upper Hill
PO Box 8418
00200 Nairobi City Square

Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Ngong Avenue
PO Box 40111
00100 Nairobi GPO

SHARE REGISTRARS

Cooperative Bank of Kenya Limited
Share Registration Services
13th Floor, Cooperative Bank House
Haile Selassie Avenue
PO Box 48231, 00100 Nairobi GPO

BANKERS

Citibank NA-Kenya Branches
PO Box 30711
00100 Nairobi GPO

Commercial Bank of Africa Limited
PO Box 30437
00100 Nairobi GPO

Co-operative Bank of Kenya Limited
PO Box 48231
00100 Nairobi GPO

Kenya Commercial Bank of Limited
PO Box 30081
00100 Nairobi GPO

National Industrial Credit Bank Limited
PO Box 44599
00100 Nairobi GPO

Standard Bank (Mauritius) Limited
6th Floor, Medine Mews Building
La Chaussee Street
Port Louis, Mauritius

Equity Bank Limited
Lavington Supreme
PO Box 75104
00200 Nairobi City Square

Standard Chartered Bank Kenya Limited
48 Westlands Road
PO Box 30081
00100 Nairobi GPO

Chase Bank Kenya Limited
Riverside Mews
Junction of Ring Road Riverside Westlands
PO Box 66015
00800 Nairobi

UBA Kenya Bank Limited
Apollo Centre
1st Floor Ring Road
PO Box 34154
00100 Nairobi GPO

Board of Directors

Zephaniah Mbugua, Chairman

Mr. Mbugua is a graduate of Makerere University with a BSc in Chemistry and Mathematics. He is a successful serial entrepreneur, developing businesses and partnership across Africa for the last 37 years. He is a founder member and Chief Executive Officer of Abcon Group, a holding company with varied business interests. He is also a director of Proctor & Allan EA Ltd, Britam Insurance (Tanzania), Stockport Exploration inc. and Zeniki Investment Ltd.

Peter Kanyago, EBS, Director

Mr. Kanyago is a fellow of the Institute of Certified Public Accountants of Kenya, and holds an MBA in Industrial Management. As an entrepreneur, he holds directorships in companies he has built, including East African Cables, East African Courier Ltd and East Africa Elevator Company (ThyssenKrupp). He is the Chairman of Kenya Tea Development Agency (KTDA) Ltd, and holds directorships at Kenya Tea Packers (KETEPA) and Corporate Insurance Company Ltd. His contribution to the nation has been recognized in his being awarded the Elder of the Order of the Burning Spear (EBS) of the Republic of Kenya. He is also a fellow of the Kenya Institute of Management (KIM).

Amb. Dennis Awori, Director

Amb. Dennis Awori earned his BSC with Honors degree in Aeronautical Engineering from the University of Manchester in 1977. He began his career with Cooper Motor Corporation Ltd, and later moved to Motor Mart Group (later Lonrho Motors East Africa) where he rose to the position of Managing Director in 1995. He was later appointed the Ambassador of the Republic of Kenya to Japan and during his tenure he spearheaded the establishment of the Kenya Embassy in Korea, as well as built strong relations between Kenya and the two countries. He currently sits in a number of boards including Toyota Kenya Limited where he is the Chairman, Bank of Africa and Kenya Airways. Amb Awori is a keen sportsman and has been Chairman of both the Kenya Rugby Football Union and the Uganda Rugby Football Union in consecutive terms between 1990 and 1997.

Board of Directors *(continued)*

Robin Kimotho, Director

Mr. Kimotho graduated from Makerere University with BA (Econ) First Class Honours and an MBA (Finance Major) from the University of Alberta. In 1986, he obtained a Diploma in Investment Planning and Appraisal from the University of Bradford. In his professional career he has been a lecturer at the Faculty of Business Administration, Papua New Guinea University of Technology (1974-1979). Between 1979 and 1987 he worked for Kenya Commercial Bank as a consultant in the Business Advisory Services division, and as manager of the Economics and Planning division. In 1987, he moved to the Africa Project Development Facility (APDF) as an Investment Officer, where he worked in various countries in Eastern and Southern Africa up to 1995. Since then, he has worked as an independent financial consultant and manages his own farming and real estate enterprises.

Michael G. Waweru, Director

Michael Waweru is a graduate of University of Nairobi where he attained his Bachelor of Commerce Honors Degree. He is also a holder of an MBA degree from the Strathmore Business School. He is a fellow of the Association of Chartered Accountants (FCCA), Institute of Certified Public Accountants of Kenya (FCPA) and a member of the Institute of Directors and Certaified Trainers on Corporate Governance. Mr. Waweru was awarded the Chief of the Order of Burning Spear CBS, by H.E The President of Kenya, due to his work in the revenue admistration. He was the Commissioner General, Kenya Revenue Authority from 2003-2012.

Virginia Ndunge, Company Secretary

Virginia Ndunge is a Certified Public Secretary and a member of the Institute of the Certified Public Secretaries of Kenya (ICPSK). She holds a Bachelor of Commerce degree in Finance and Diploma in Project Management. She has substantial experience in Company Secretarial having worked with Emu Registrars, Certified Public Secretarial for over 12 years. In July 2013, she joined Kaplan and Stratton Advocates where she is the Head of Company Secretarial Division.

Group Corporate Team

Nganga Njiinu
Acting CEO

Martin Munyiri
Head of Finance

John Mugo
Division Principal, Power

Geoffrey Njue
Group Internal Auditor

Phyllis Gachau
Group Communications Manager

Division Team

ENGINEERING DIVISION

Jason Horsey
Chief Executive Officer
Civicon Group

Michael Wachira
Chief Financial Officer
Civicon Group

Ben Kiilu
Business Development
Manager - Civicon Group

Ivan Colladon
Chief Operating Officer
Civicon Group

Nicholas Kithinji
Managing Director
AEA Limited (formerly Avery East Africa Limited)

POWER DIVISION

Peter Arina
Chief Executive Officer
East African Cables

Joseph Kinyua
Group Finance Manager
East African Cables

David Mwangi
Group Technical Manager
East African Cables

Joseph Kamau
Group Production Manager
East African Cables

Zahir Saleh
Chief Executive Officer
Tanelec Group

Corporate Governance

Corporate Governance provides the structure through which the strategic objectives of the Company are set, and the means of attaining them as well as monitoring performance. TransCentury in its decision-making processes, observes the highest ethical standards and benchmarks on global best practices in compliance with the applicable legal principles, its corporate vision, mission and core values for sustainability of the Company.

Statement of Compliance

The Board and management of TransCentury are in compliance with the Capital Markets Authority (CMA) Corporate Governance Guidelines as part of the obligations as a listed company, as well as ascribing to the ethical standards prescribed in the charter and the Company code of conduct.

BOARD OF DIRECTORS

As at 31t December 2015, the Board consisted of the Chairman, Z.G. Mbugua, seven non-executive directors and the Chief Executive Officer (CEO), Dr. Gachao Kiuna, who resigned on 14th January, 2016. The directors' biographies appear on page 10 and 11. All non-executive directors on TransCentury's Board are independent of management and have diverse skills, experience and competencies appropriate for effective management of the company's business.

The Board meets at least on a quarterly basis during the year, with additional meetings when necessary. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for the direction and guidance on general policy, the Board has delegated authority for conduct of day to day business to the CEO.

The Board nonetheless retains responsibility in maintaining the Company's overall internal control on financial, operational and compliance issues. All our directors have attended various corporate governance courses organized by accredited institutions. All non-executive directors are subject to periodic reappointment in accordance with company's Article of Association which requires that one third of the longest serving directors (since their last election) retire by rotation every year and if eligible their names are submitted for re-election at the Annual General Meeting.

The composition of the Board and attendance during the year is as shown below:

Member	Attendance
Mr. Z. G. Mbugua Chairman	13/13
Dr. G. Kiuna** Executive Director	13/13
Mr. P. T. Kanyago Non-executive Director	11/13
Mr. J. Karago*** Non-executive Director	7/13
Mr. R. Kimotho Non-executive Director	13/13
Ms. C. Musyoka***** Non-executive Director	9/13
Mr. N. Kirira**** Non-executive Director	4/13
Mr. N. Kiuna**** Non-executive Director	3/13
Dennis Awori* Non-executive Director	0/13
Michael Waweru* Non-executive Director	1/13
Ms. V. Ndunge Company Secretary	13/13

* Appointed 1st December 2015
** Resigned 14th January 2016
*** Resigned 15th January 2016
**** Resigned 29th May 2015
***** Resigned 30th November 2015

Corporate Governance *(continued)*

COMMITTEES OF THE BOARD

The following standing Committees assist the Board in the discharge of its duties. These Committees meet regularly under the terms of reference set by the Board.

Audit and Risk Committee

The Board has constituted an Audit and Risk Committee which meets at least quarterly. It includes four non-executive directors Carol Musyoka, Peter Kanyago, Robin Kimotho and Ngugi Kiuna and the CEO. Its responsibilities include review of financial information, in particular half year and annual financial statements, compliance with accounting standards, liaison with external auditors, remuneration of external auditors and maintaining oversight on internal control systems. Other responsibilities are to receive and consider the Company's annual budget. The Committee is guided by a charter from the Board which outlines its mandate. The Head of Finance and Group Internal Auditor are regularly invited.

The members of the Audit and Risk Committee, together with a record of their attendance at scheduled meetings during the year are set out below:

Member	Attendance
Ms. C. Musyoka* Chairman	4/4
Dr. G. Kiuna** Executive Director	4/4
Mr. N. Kiuna*** Non-executive Director	1/4
Mr. R. Kimotho Non-executive Director	4/4
Mr. P. Kanyago Non-executive Director	2/4

*Resigned 30th November 2015
** Resigned 14th January 2016
*** Resigned 29th May 2015

Strategy and Investment Committee

Membership of this Committee comprises of two non-executive directors Ngugi Kiuna, who resigned on 29th May 2015, and Zephaniah Gitau Mbugua and the CEO. The Head of Corporate Finance and Strategy, and the Division Principle, Infrastructure Projects are regularly invited.

The main responsibility of the Committee is to chart the strategy of the Company and to oversee implementation of strategic decisions of the Board which include product and or geographical diversification, strategic partnerships and also review proposals involving capital expenditure. The Committee's attendance during the year is as shown below:

Member	Attendance
Mr. Z. G. Mbugua Non-executive Director	3/3
Dr. G. Kiuna* Executive Director	3/3

* Resigned 14th January 2016

Nominations and Remuneration Committee

The Committee meets at least quarterly and includes, three non-executive directors, Joseph Njeru Kirira, who resigned on 29th May 2015, Joseph Karago, who resigned on 15th January 2016,and Zephaniah Gitau Mbugua and the CEO. The main responsibilities of the Committee are to nominate TCL's and subsidiary companies' Board members, appointment of TCL' and subsidiary CEOs and succession planning. The Committee also determines the Group's remuneration policy for employees, management and non-executive directors. The Committee submits its findings and recommendations at the quarterly board meetings.

The Committee's attendance during the year is as shown below:

Member	Attendance
Mr N. Kirira* Chairman	1/3
Mr. J. Karago** Non-executive Director	2/3
Mr. Z. G. Mbugua Non-executive Director	3/3
Dr. G. Kiuna Executive Director	3/3

* Resigned 29th May 2015
** Resigned 15th January 2016

Corporate Governance *(continued)*

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. In the year, the Company accomplished this objective through website updates, publications and distribution of its Annual Report and release of notices in the national press. The Company also holds statutory meetings as required.

In this regard, the Company complies with the obligations contained in the Nairobi Securities Exchange's Listing Rules, the Capital Markets Authority Act and Kenyan Companies Act.

DIRECTORS EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to the directors for services rendered during this financial year ended 31 December 2015 are disclosed in the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Company is a party, whereby a director might acquire benefits by means of acquisition of the Company's shares. All business transactions with the directors or related parties are carried out at arm's length. Such transactions have been disclosed.

RISK MANAGEMENT CONTROLS

The Board recognizes that managing risk to ensure an optimal mix between risk and return is an integral part of achieving corporate goals. The Board has put in place processes for identifying, assessing, managing and monitoring risks to ensure that the Company's business objectives are achieved and risks mitigated. The Company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. They cover systems for obtaining authority for major transactions and for ensuring compliance with the laws and regulations that have significant financial implications. The Board approves company policies and procedures whereas the management implements the Board's risk management policy. Procedures are also in place to mitigate investment risks and manage the risk profile of the investment portfolio.

A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Regular senior management meetings are held to monitor performance and to agree on measures to drive improvement.

EMPLOYMENT EQUITY

The Company is committed to provide equal opportunity to all employees and applicants on the basis of merit. Our practice is to create a meritocratic culture in all our businesses across the African continent.

BUSINESS ETHICS

The directors attach great importance to the need to conduct the business and operations of the Company with integrity and in accordance with internationally developed principles on good governance. The Company adopts the best principles of good corporate culture that requires the directors and all employees to maintain the highest personal and ethical standards and to act in good faith and in the interest of the Company. The Company has developed and implemented a code of conduct that sets out guidelines and rules, which are based on good governance principles of:

- Full compliance with the law
- Application of best accounting practices
- Application of best business practices
- Fair competition

Principal Shareholders and Distribution of Shareholding

SHARE REGISTER DETAILS

Directors' interests in the shares of the Company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31st December 2015 were as follows:

DIRECTORS' INTEREST

Name of Director	No. of Shares	% Shareholding
Michael Gitau Waweru*	21,216,380	7.57
Peter Tiras Kanyago*	15,679,890	5.59
Zephaniah Gitau Mbugua*	11,984,752	4.28
Robin Munyua Kimotho*	10,851,510	3.87
Total	**59,732,532**	**21.31**

* See the shareholding details below

MAJOR SHAREHOLDERS

Name of Shareholder	No of Shareholders	No of Shares held	% Shareholding
Standard Chartered Nominees A/C KE15615		31,740,794	11.32
Anne Pearl Karimi Gachui		21,253,190	7.58
Michael Gitau Waweru*		21,216,380	7.57
Peter Tiras Kanyago *		15,679,890	5.59
Zephaniah Gitau Mbugua *		11,984,752	4.28
Gath Properties Limited		10,933,000	3.90
Robin Munyua Kimotho *		10,851,510	3.87
Standard Chartered Nominees A/C KE12424		10,437,800	3.72
Stephen Njoroge Waruhiu		9,862,971	3.52
Joseph Mbui Magari		9,477,130	3.38
Sub-Total	**10**	**153,437,417**	**54.73**
Others	**1,638**	**126,847,059**	**45.27**
Total Issued Shares	**1,648**	**280,284,476**	**100.00**

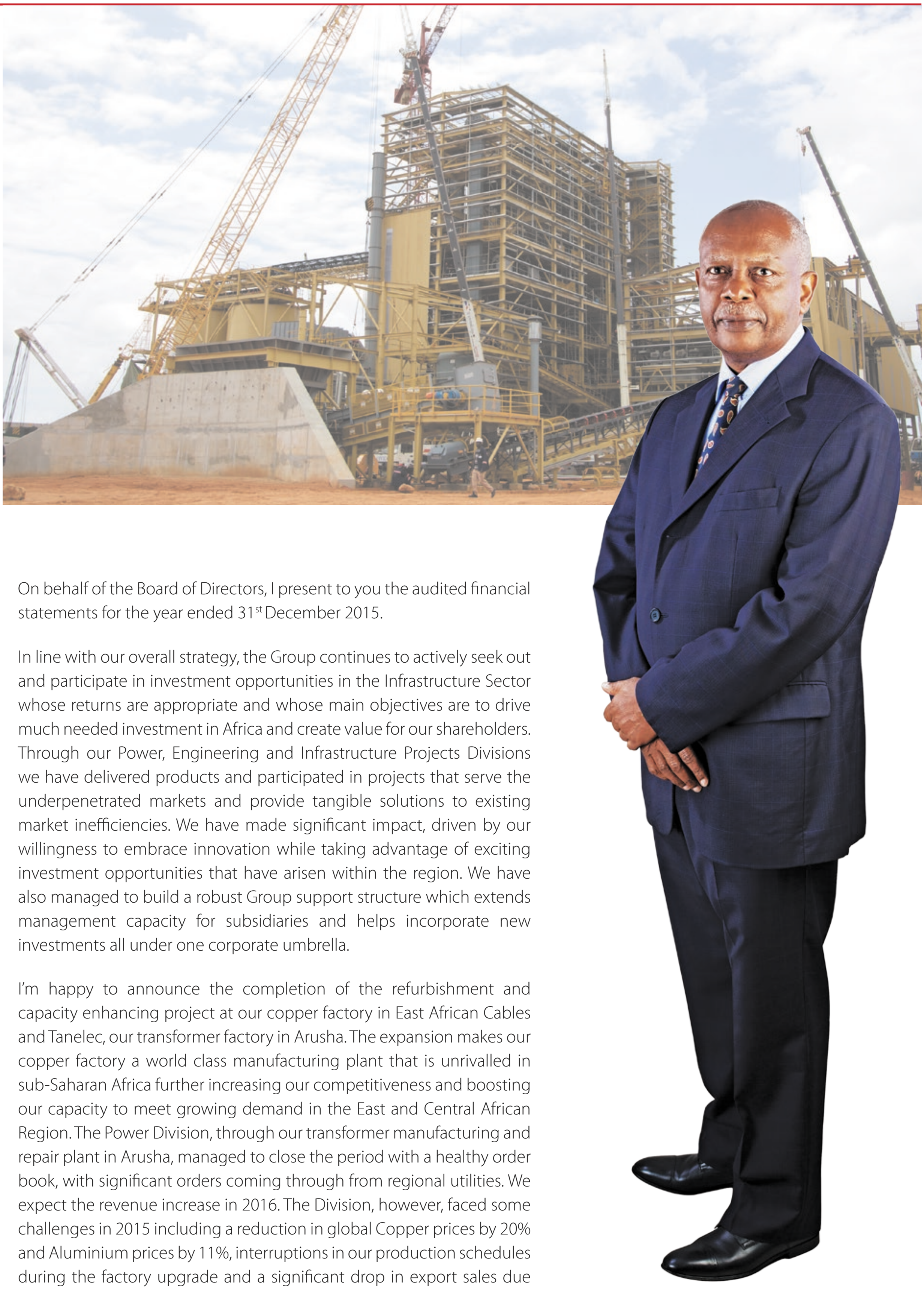
DISTRIBUTION OF SHAREHOLDING

Shares range	No. of Shareholders	No. of Shares held	% Shareholding
1 - 500	558	125,674	0.06
501 - 5,000	675	1,471,061	0.52
5,001 - 10,000	138	1,136,800	0.40
10,001 - 100,000	191	6,011,730	2.14
100,001 - 1,000,000	52	15,182,785	5.42
Above 1,000,000	34	256,356,426	91.46
Total	**1,648**	**280,284,476**	**100.00**

SHAREHOLDER ANALYSIS BY DOMICILE

	No. of Shareholders	No. of shares held	% Shareholding
Local individuals	1,504	207,585,248	74.06
Local institutions	120	16,178,514	5.77
Foreign individuals	10	443,600	0.16
Foreign institutions	14	56,077,114	20.01
Total	**1,648**	**280,284,476**	**100.00**

Chairman's Statement



On behalf of the Board of Directors, I present to you the audited financial statements for the year ended 31st December 2015.

In line with our overall strategy, the Group continues to actively seek out and participate in investment opportunities in the Infrastructure Sector whose returns are appropriate and whose main objectives are to drive much needed investment in Africa and create value for our shareholders. Through our Power, Engineering and Infrastructure Projects Divisions we have delivered products and participated in projects that serve the underpenetrated markets and provide tangible solutions to existing market inefficiencies. We have made significant impact, driven by our willingness to embrace innovation while taking advantage of exciting investment opportunities that have arisen within the region. We have also managed to build a robust Group support structure which extends management capacity for subsidiaries and helps incorporate new investments all under one corporate umbrella.

I'm happy to announce the completion of the refurbishment and capacity enhancing project at our copper factory in East African Cables and Tanelec, our transformer factory in Arusha. The expansion makes our copper factory a world class manufacturing plant that is unrivalled in sub-Saharan Africa further increasing our competitiveness and boosting our capacity to meet growing demand in the East and Central African Region. The Power Division, through our transformer manufacturing and repair plant in Arusha, managed to close the period with a healthy order book, with significant orders coming through from regional utilities. We expect the revenue increase in 2016. The Division, however, faced some challenges in 2015 including a reduction in global Copper prices by 20% and Aluminium prices by 11%, interruptions in our production schedules during the factory upgrade and a significant drop in export sales due to an unfavourable political environment in South Sudan, Uganda and Burundi. These challenges led to a significant slump in revenues.

> *"...our business remains strong with a robust product portfolio, market leadership and strong reputational positioning in the high growth Energy & Infrastructure Sectors in East, Central and Southern Africa, with a horizon to expand across Sub-Saharan Africa...*

The Engineering Division had a stellar year in 2015 as it continued to execute projects from its strong pipeline as well as penetrate and strongly differentiate its capabilities in niche markets within the broader Infrastructure Sector in the East and Central African region. The Division continues to foster strategic relationships with key technical partners, who have a strong track record for delivering similar infrastructure projects internationally. In the backdrop of regional growth trends in infrastructure, industrial activity, mining, oil and gas exploration, the Engineering Division is therefore strategically well positioned to take advantage of the opportunities available in this sector. Through our subsidiary, AEA Limited (formerly Avery East Africa Ltd.), under the "bye bye potholes" initiative, the Group saw the introduction of the Velocity Rapid Road Patching Technology. The technology has the potential of saving the Government up to 40% of the cost normally spent on repairs and maintenance of roads.

In 2015, the Group embarked on a fundraising program aimed at supporting the growth of the business as well as reviewing the capital structure at the Group Holding Company. This process was ongoing as at the end of the year.

Our business remains strong with a robust product portfolio, market leadership and strong reputational positioning in the high growth Energy & Infrastructure Sectors in East, Central and Southern Africa, with a horizon to expand across Sub-Saharan Africa.

Overview of the Business Environment

The economic growth in Sub-Saharan Africa (SSA) decelerated notably from 5.1% to 3.8 % in 2015 compared to 2014. This was mainly attributable to a significant drop in the prices of major commodities and an increasingly volatile external financing environment. However, future growth prospects for the region are expected to remain favourable, driven by sustained investment in mining and infrastructure, buoyant services sector, strong agricultural production as well as strong private consumption. The Governments within the region have made concerted efforts to leverage on this growth potential by bridging the infrastructure gap, lowering tariff and non-tariff barriers to trade and a general improvement of the business climate between the heterogeneous states.

The Kenyan economy recorded a 5.6% growth in GDP in 2015 compared to 5.3% in 2014. This was supported by a stable macro-economic environment and improvements in outputs of agriculture, finance, construction and real estate. The Kenya Shilling however continued to lose ground against the US dollar, reaching an all-time high of 106.15 in September of 2015.The annual inflation rate dropped from 6.9% in 2014 to 6.6% in 2015. This was attributable to a drop in the cost of electricity, petroleum products and the tightening of the monetary policy. The Energy and Infrastructure Sectors in Kenya remain the key enablers of sustained economic growth, development and poverty reduction.

Tanzania has been able to make important economic and structural reforms to sustain its economic growth rates over the last decade. The country's political stability has provided a solid foundation for its growth. The overall macroeconomic performance remains strong with a high rate of growth and a low rate of inflation. GDP growth was 7% in 2015. Inflation has gradually declined averaging at 6.5% in 2015. Electricity demand in the country is increasing rapidly mainly due to accelerated productive investments, increasing population, and increasing access to electricity.

Uganda recorded a Real GDP growth of 5.8% well above the Sub-Saharan Africa average and gradually increasing. The Government is at various stages of implementing several multi-billion dollar infrastructure projects, including hydropower dams, a refinery, express highways and a railway line. Relatively low inflation, healthy foreign exchange reserves and low Government debt are also providing the Ugandan economy with a strong cushion against external shocks.

South Africa's GDP growth decelerated substantially to 1.5% real GDP growth on account of mining strikes and power supply constraints. Amongst the most pressing infrastructure gaps is the upgrading of the power generation capacity, which currently cannot meet demand. Overall, the South African economic growth is projected to rebound to 2% in 2016 on the back of a relatively unchanged and prudent macroeconomic management framework and a spike in demand for exports from China and its EU based trading partners on the back of an improved global economy.

Corporate Governance

During the financial year, Mr. Njeru Kirira, Mr. Ngugi Kiuna and Ms. Carol Musyoka retired from the Board to concentrate on other endeavors. The Board and I thank each one of them for their commitment to the Group, their invaluable contribution to the Board's deliberations and great support in shaping and executing our strategy. We wish them all the best in their future endeavors. Towards the end of the year, the Board appointed Mr. Michael Waweru and Amb. Dennis Awori as non-executive directors who bring in wealth of experience in leadership and corporate governance having served in various management and board capacities. I wish to welcome Mr. Waweru and Amb. Dennis to the Board and look forward to their contribution and participation.

Events after the Reporting Period

After the year end, Dr. Gachao Kiuna and Mr. Joseph Karago stepped down from the Board and the Board appointed Mr. Nganga Njiinu as the acting CEO. I thank Dr. Gachao and Mr. Karago for their invaluable contribution and wish them well in their future endeavors. Mr. Njiinu has a wealth of experience in corporate finance, portfolio management, business development as well as originating and developing opportunities in the infrastructure space. I take this opportunity to welcome Mr. Njiinu to his new role and look forward to his contribution and participation in achieving the Group strategy.

On 23rd March 2016, the Group announced in the local press, the settlement agreement with the convertible bondholders, the result of which was to reduce the convertible bond debt included in the financial statements to USD 40m (KES 4bn). As part of that reduction, the Group will write back the principal and interest charges amounting to USD 19.4m (KES 2bn) in 2016.

The Group also entered into an agreement with Kuramo Capital for an Equity injection of USD 20m (KES 2bn). The partnership between Kuramo Capital and TransCentury is a great match for both companies that have a similar view of investing in Africa. The agreement validates the confidence Kuramo and other investors have in TransCentury and reflects our commitment to maximizing shareholder value.

Outlook

The Group continues to execute its growth strategy that is largely driven by its Power Division's expansion program, Engineering Division's strong and well balanced pipeline of projects and the Infrastructure Division that will solidify its presence in power generation, annuity & toll roads/ projects among others in the region.

In the Engineering Division we continue to attract a strong pipeline of specialised projects as we continually focus on enhancing our capacity to execute. We anticipate sustained growth in investment in infrastructure projects in the region with our businesses well positioned as the local service providers of choice in specialised engineering. We expect additional income streams to the Division with innovation and introduction of new technologies to address unique regional problems. An example is the introduction of the Velocity Rapid Pothole Patching Technology which patches potholes in a fraction of the time and cost of the conventional method currently being used. The machine's value proposition is to save both the Counties' and Central Government's money spent on road repairs.

In the Power Division, the units opened the year with a strong order book supported by developments in the energy and construction sectors across the region. The enhanced capacity and improved efficiency in our production plants therefore puts us in a strong position to meet the increased demand. We see further growth opportunities with better implementation of Government policies on increased local content in the energy sector procurement.

Appreciation

As we look forward to strengthening the financial performance and returning the Group to profitability, I would like to thank all the investors of TransCentury for the continued support throughout the year. To my fellow directors, I say thank you for your continued dedication towards achievement of the Group's objectives. I would also like to thank our stakeholders including business partners and customers for their support during 2015, and above all, to our great people for their hard work and ongoing commitment to the Group.

Zephaniah G. Mbugua
Chairman of the Board

Chief Executive's Statement

Dear Investors,

2015 was a challenging year for TransCentury. Although we recorded strong revenue growth, we made losses for the second year in the history of the company. The negative financial results are attributable to reduced volumes in our Power business as a result of disruptions during capacity upgrade and exacerbated by unfavourable macro-economic conditions including weakening of regional currencies vs. the US Dollar and softening global commodity prices. The weakening regional currencies lead to an unusually large foreign exchange loss and the poor commodity prices meant that our price per unit in our Power business, driven by metal prices (Copper and Aluminium), was lower leading to reduced revenue.

During the year, we decided to take some deliberate action to provide for long outstanding receivables in an effort to be conservative in our reporting. Collection efforts were however enhanced with significant progress made after the close of the year. 2015 also saw unfavourable political situations in some of our markets such as South Sudan, Burundi and Uganda leading to reduced commercial activities and therefore low export sales revenue. We responded to the challenging external environment by addressing structural and operational issues affecting the performance of the business.

Beyond the financial performance, there were tremendous achievements in our business towards execution of the growth strategy. We managed to roll out "game changing" investments in the Power Division where we tripled capacity in our cables business in Nairobi and our transformer manufacturing plant in Arusha. We are also happy to have implemented key projects that were previously delayed and continued to diversify and increase the size of our Engineering pipeline. While the process of capacity enhancement affected our results for 2015 due to production disruptions, the end result greatly increases our capabilities and will deliver significant value to customers and shareholders alike.

"...beyond the financial performance, there were tremendous achievements in our business towards execution of the growth strategy. We managed to roll out 'game changing' investments..."

The factory modernisation and upgrades carried out in our copper factory in Nairobi and transformer manufacturing plant in Arusha will enable us increase production, improve efficiency, reduce production lead time by half and adapt to market needs for new product categories hence competing more effectively.

The Group continues to focus on its strategy of infrastructure investment across three Divisions, namely (1) Power Infrastructure (2) Engineering and Construction and (3) Infrastructure Projects. In order to realise the revenue and cost synergies that exist between our businesses, we continue with the implementation of the corporate reorganization that has seen our subsidiaries restructured as follows:

- TCL Power Division which is involved in manufacturing of electrical cables, distribution and transmission equipment operating through 8 factories across East, Central and Southern Africa.

Chief Executive's Statement *(continued)*

> *"...I am pleased to report that we are now the preferred power solutions provider in most landmark projects in the region..."*

- TC Engineering Division focusses on mechanical and civil engineering with a presence across East and Central Africa targeting high growth areas such as Power Generation, Transportation, Mining and Oil & Gas under Civicon. The Division through, AEA (Formerly Avery East Africa) also holds exclusive distribution and agency rights for various products such as Weighing (Avery Weigh Tronix-UK, Avery Berkel-UK, Railweight-UK, IR-Canada and Salter Brecknell-UK), Coding (Videojet-USA), Industrial products (INA/FAG-Germany and Redhill-UK), Generators (TCL Power/CGM-Italy, General Electric-USA and Turbomach-USA) and the newly introduced Velocity Patching (Velocity-UK).

- TC Infrastructure Projects Division focuses on critical energy and transport infrastructure projects to support key pillars of the domestic and export economy in partnership with key technical partners. This Division is managed by the TransCentury Corporate Team working closely with our TCL Power and TC Engineering management teams thereby leveraging synergies across our businesses.

The Power Division continued to achieve great milestones following concerted efforts and commitment to transform the business to a world class provider of power solutions. The market is highly dynamic and we have positioned our business to adapt to new market needs in order to compete effectively. We are confident the significant investment in the modernisation and upgrade of the factories gives us a competitive edge over other international players in the markets we operate in. I am pleased to report that we are now the preferred power solutions provider in most landmark projects in the region and will continue investing in technology to enhance our quality, efficiency and capacity.

The Engineering Division continues to be a key player in infrastructure projects across the region particularly in Oil & Gas, Mining, Power and Transport Infrastructure. We continue to attract a strong pipeline of specialised projects as we invest in enhancing our capacity to execute. We anticipate sustained growth in investment in infrastructure projects in the region with our businesses well positioned as the local service providers of choice in specialised engineering. The introduction of new technology such as the Velocity Patching shows our commitment to innovation and technology change as well as product diversification in the market we operate. This unique infrastructure maintenance technology offers road preservation solutions by carrying out fast and efficient repairs at a fraction of the cost of conventional processes. With growth in industrialisation across the region, AEA successfully continues its transformation from distribution and service to a mission critical engineering solutions provider.

Our Infrastructure Projects Division will further fuel the Group's growth. This Division features an active pipeline of high return infrastructure projects in partnership with key technical partners and Governments. Some of the green field infrastructure projects under the new Division include a 35MW Geothermal Power Plant in Menengai, Kenya under the Orpower 22 consortium and many other projects across energy and transport infrastructure.

Post year end, two (2) significant developments were announced in the media. The first one is a settlement agreement with Convertible Bondholders which reduced the company's total convertible bond exposure from USD 80m (KES 8bn) to USD 40m (KES 4bn). The second one was the announcement of an agreement with Kuramo Capital to inject USD 20m (KES 2bn) to settle half of the outstanding bond liability. The remaining USD 20m (KES 2bn) is due for settlement in September 2016 with an option to roll over into a three (3) year loan facility.

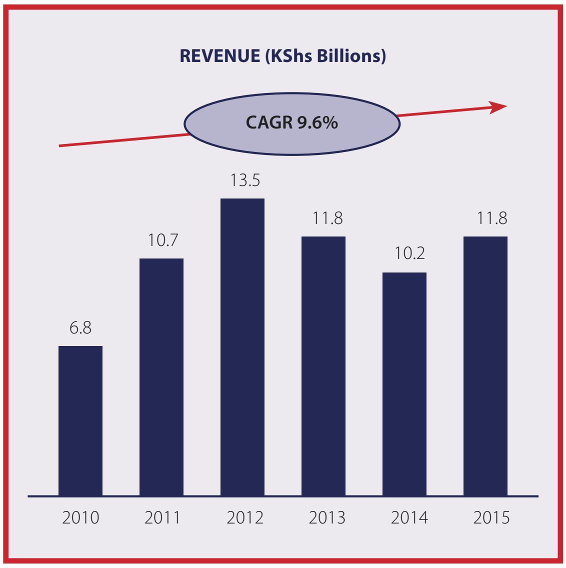
Our work with the community expanded as we launched a strategic CSR program in support of Technical Training across the region. The program dubbed TransCentury Technical Training Program ("TTTP") offers scholarships to technical students in key institutions within fields such as Electrical & Mechanical Engineering and Building & Construction, in addition to technical & financial support and internship opportunities. The program's objective is to bridge the existing skills gaps and to build a pool of skilled labour for the rapidly growing infrastructure development sector.

Group Performance

The Group recorded a 15% increase in revenues in 2015 attributable to strong performance in our Engineering Division which reported a 96% growth in revenue as a result of execution of some of the major projects that had delayed in 2014 and new projects won and commenced during the year.

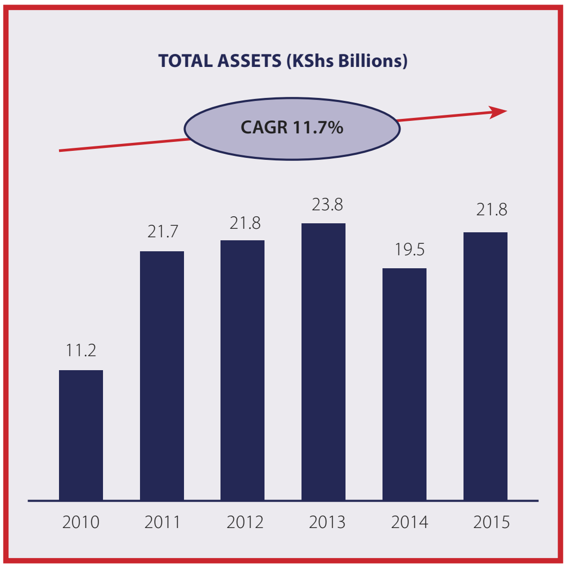
The Group posted a KES 2.4 billion loss resulting from reduced sales in our Power business due to production disruption, softening commodity prices, foreign exchange losses due to sharp depreciation of regional currencies against the United States Dollar, low sales in our exports markets due to unfavourable political environment prevailing within the region, Impairment of receivables in line with a more conservative financial management policy and increased depreciation due to capital expenditure in our Engineering Division and commissioning of refurbished plants in the Power Division.

The revenues continued on an upward trajectory with a six year Compound Annual Growth Rate (CAGR) of 9.6% as at December 2015.



On the positive side, we benefited from improved local utility order book towards the end of the year which is a bright spot in our continuing effort to get more Government business to go to local manufacturers. We appreciate the regional Governments efforts to support local industries which will enable local firms build capacity resulting to economic growth.

The Group's assets have grown tremendously in the past six (6) years with total assets amounting to KES 21.8 billion as at 31 December 2015 and recording a CAGR of 11.7% for the last six years. The increase in total assets during the year is as a result of factory expansion and upgrades completed during the year in the Power Division as well as increased level of project execution assets in our Engineering Division.



Performance by Division

POWER

Power Financial Performance

In 2015, the Power Division recorded a 30% decline in revenue from KES 6.7 billion in 2014 to KES 4.7 billion. This was primarily the result of a 20% decline in the London Metal Exchange (LME) prices for Copper which affected our pricing and also volume decline due to interruptions in our production processes as we concluded capacity increase and efficiency upgrades in our newly refurbished copper factory.

In the same year, the Division invested KES 320 million in capital expenditure in addition to KES 1.1 billion deployed in 2014. The expenditure was incurred in our cable manufacturing plant in Kenya and transformer manufacturing plant in Arusha which has increased the installed capacity for copper production from 3600MT to 7200MT and transformer manufacturing capacity from 3,000 units to 10,000 units. The expanded and modernised plants are now fully commissioned and will provide flexibility to offer a wide product range to cover Eastern and Central African region. We are pleased with this development as this allows us to focus on the market with enough capacity to compete with global players and it reduces the need for capital expenditure in the future.

ENGINEERING

Engineering Financial Performance

The Engineering Division recorded an impressive 97% growth in the revenues by generating KES 7 billion in 2015 compared to KES 3.6 billion in 2014. The growth is

Chief Executive's Statement *(continued)*

attributable to execution of some of the major projects that had delayed in 2014 and new projects won and commenced during the year.

During the year, the Division invested KES 589 million compared to KES 148 million in 2014 to acquire heavy equipment to support the projects executed during the year.

Summary and Outlook

TransCentury Group is without a doubt comprised of an excellent portfolio of assets and the right team to execute our strategy and exit the depressed cycle stronger and with momentum. Our businesses continue to deliver world class products manufactured here in Africa and provide much needed engineering solutions.

In 2016 we will continue to prioritize broadening of our markets to increase capacity utilization as we continue to task our teams to be more efficient and uphold the exceptional quality our products and services are known for. We will continue to focus on improvement in our cost structure, better working capital management and further deleveraging of the business with new equity injection expected which will ensure continued strengthening of our balance sheet.

Going forward, we also see strong demand in our core markets with continuation of electrification programs, development of infrastructure projects and the expanding middle class continuing to fuel growth. Expansion in our capacity was indeed timely as we start to see significant improvement of utility order book on the back of implementation of local content requirement for Government procurement.

I would like to thank our clients and our partners, all the staff at TransCentury Group and our stakeholders for your support. I would also like to thank the Board of Directors of TransCentury for their guidance and strategic support throughout the year. The past year has been tough for everyone in the Group and for all of us as stakeholders. We are the custodians of a great business and through continued hard work and commitment, we intend to achieve our goal of returning the Group to profitability.

Yours Sincerely,

Nganga Njiinu

Ag. Chief Executive Officer

Corporate Social Responsibility

TransCentury Group corporate social responsibility is anchored on the belief that all citizen deserve equal opportunities, especially the youth who play an integral role in the growth of industry and economy at large. In 2015 TransCentury rolled out a technical training program in conjunction with TVET's (Technical and Vocational Educational Training Institutes) with an aim of empowering the youth with relevant technical skill that is industry driven. In the first year of its launch TransCentury partnered with Kiambu Institute of Science and Technology (KIST), a partnership that has seen 30 top performing students in the electrical and electronics and building and constructions faculty, receive full year TransCentury scholarship. In addition the partnership has seen the institution benefit from infrastructure support with the renovation and upgrading of the electrical and electronics lab and the provision of select equipment's for the building and construction faculty.

On practical skill enhancement, the program introduced an internship program that has seen students from the school absorbed as interns into the various TransCentury's subsidiaries factories and projects.

The program also saw over 200 students undergo a mentorship program that covered key areas in Professional Effectiveness and Personal Effectives all aimed at preparing and molding an all-round technical graduate.

In 2016 the TransCentury Technical Training Program will roll out in 3 other institutions strategically picked due to their proximity to the Oil & Gas exploration efforts in the North, renewable energy power plants in Nakuru and Naivasha, sectors that are growing rapidly in the country and that require skilled workforce. The earmarked intuitions include; Rift Valley Institute of Science and Technology (RVTTI), Eldoret Polytechnic and Mombasa Technical College.

The program aims at;

- Providing scholarships to high performing students in the TVETS
- Supporting the institutions with infrastructure; Equipment's, labs etc that would enrich the learning process
- Rolling out a mentorship program allowing industry to interact with technical students who, form the next workforce.

Developing sector informed curriculum.

The program was born from a technical skill gap that exists in the region, less and less students are enrolling in technical institutions leaving a majority of youth unskilled. 60% of Kenyan youth are un-employed and yet 90% of them are unskilled, this reduces their chances of being employed or even becoming self-employed. TransCentury Group being in the Infrastructure development space, noted the importance of working with key stake holders to turn this tide, it's in the interest of the Group to see more students enrolling in TVETs but more so graduating with relevant skill to serve the industry and country adequately.

Working with the youth

For the last 4 years, the Group through its Power Division has continued to engage with key stakeholders in the Power Sector – The Electricians – through a vibrant program dubbed "Fundi Bora" club. The club has seen the accreditations of over 1500 electricians who participate in annual workshops aimed at upskilling the electricians as well as providing them with relevant industry skills. Over 70% of members of the Fundi Bora club are youth.

Community

TransCentury Group continued to support other community driven initiatives, and in 2015 for the 3rd year running, the Company supported the Chase Bank foundation walk aimed at raising funds to train midwives in the country and subsequently lower maternal deaths. The drive targets to train 15,000 midwives countrywide by the end of 2016.

Report of the Directors

The directors have pleasure in submitting their report together with the audited group annual financial statements for the year ended 31 December 2015, which disclose the state of affairs of the company and the group.

1. **Activities**

   The group's principal activity is investment in power infrastructure, transport infrastructure and engineering industries across Africa.

2. **Results**

   The results for the year are set out on pages 30 and 31

3. **Dividends**

   The directors do not recommend the payment of a dividend (2014 – Nil).

4. **Directors**

   The directors of the Company who served during the year up to the date of this report are set out on pages 10 and 11.

5. **Auditors**

   The auditors of the company, KPMG Kenya, continue in office in accordance with Section 159(2) of the Kenyan Companies Act.

6. **Approval of financial statements**

   The financial statements were approved at a meeting of the directors held on 29 April 2016.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 29 April 2016

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the consolidated and company financial statements of TransCentury Limited set out on pages 30 to 97 which comprise the consolidated and company statements of financial position 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 information.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the Directors to ensure the group keeps proper accounting records which disclose with reasonable accuracy the financial position of the group and the company.

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 compliance with International Financial Reporting Standards 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 group and the company and of the group operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the company and its subsidiaries ability to continue as a going concern and have no reason to believe the company and its subsidiaries will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The consolidated and company financial statements, as indicated above, were approved by the Board of Directors on 29 April 2016 and were signed on its behalf by:

Director

Director

Date: 29 April 2016

Report of the Independent Auditors

TO THE MEMBERS OF TRANSCENTURY LIMITED

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612
00100 Nairobi GPO

Telephone +254 20 2806000
Fax: +254 20 2215695
Email: info@kpmg.co.ke
Website: www.kpmg.co.ke

Report on the financial statements

We have audited the financial statements of TransCentury Limited set out on pages 30 to 97 which comprise the consolidated and company statements of financial position 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 information.

Directors' responsibility for the financial statements

As stated on page 27, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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 relevant 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 consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and company financial position of TransCentury Limited as at 31 December 2015, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 purpose 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 statement of financial position of the company is in agreement with the books of account.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is FCPA Eric Aholi - P/1471.

Date: 29 April 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 KShs'000	2014 KShs'000
Revenue	5(a)	11,790,227	10,249,593
Cost of sales	5(c)	(9,259,631)	(7,668,666)
Gross profit		**2,530,596**	**2,580,927**
Other income	5(b)	94,903	285,276
Operating expenses	5(c)	(2,499,253)	(2,582,795)
Loss on sale of investment	28	-	(1,035,015)
Profit / (loss) before depreciation and finance costs		**126,246**	**(751,607)**
Impairment losses	4(a)	(371,576)	26,375
Depreciation and amortisation	6	(802,019)	(679,365)
Results from operating activities	6	**(1,047,349)**	**(1,404,597)**
Exchange losses	7(a)	(1,117,495)	(184,351)
Interest income	7(b)	-	47,503
Interest expenses	7(c)	(791,229)	(572,757)
Net finance costs		**(1,908,724)**	**(709,605)**
Loss before income tax		**(2,956,073)**	**(2,114,202)**
Income tax credit/(expense)	8(a)	533,499	(163,727)
Loss for the year		**(2,422,574)**	**(2,277,929)**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	9	705,240	77,140
Revaluation of prepaid operating lease rentals	11	829,370	-
Related tax	8(a) (ii)	(460,384)	17,715
		1,074,226	**94,855**
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		(16,746)	90,626
Exchange differences on translation of foreign subsidiaries		(431,746)	109,875
		(448,492)	**200,501**
Other comprehensive income net of income tax		**625,734**	**295,356**
Total comprehensive income for the year		**(1,796,840)**	**(1,982,573)**

The notes set out on pages 39 to 97 form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

	Note	2015 KShs'000	2014 KShs'000
Loss after tax is attributable to:			
Equity holders of the company		(1,988,223)	(2,362,677)
Non-controlling interest (NCI)	13 (d)	(434,351)	84,748
Loss for the year		**(2,422,574)**	**(2,277,929)**
Total comprehensive income for the year attributable to:			
Equity holders of the company		(1,887,771)	(2,066,597)
Non-controlling interest		90,931	84,024
Total comprehensive income for the year		**(1,796,840)**	**(1,982,573)**
BASIC EARNINGS PER SHARE - (KShs)	**21(a)**	**(7.09)**	**(8.53)**
DILUTED EARNINGS PER SHARE - (KShs)	**21(a)**	**(7.09)**	**(8.53)**

The notes set out on pages 39 to 97 form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015

ASSETS	Note	2015 KShs'000	2014 KShs'000
Non-current assets			
Property, plant and equipment	9	7,836,618	7,363,528
Investment property	10	362,252	348,298
Prepaid operating lease rentals	11	1,409,032	432,406
Intangible assets	12	2,851,345	2,539,117
Quoted investments	13(a)	239	301
Unquoted investments	13(b)	536,203	539,353
Deferred tax asset	23(a)	108,738	5,992
		13,104,427	11,228,995
Current assets			
Inventories	15	1,899,763	1,860,008
Trade and other receivables	16	6,391,777	5,886,588
Tax receivable	8(d)	186,651	194,804
Cash and cash equivalents	17	235,363	293,263
		8,713,554	8,234,663
TOTAL ASSETS		**21,817,981**	**19,463,658**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 34 - 35)			
Share capital	18	140,142	140,142
Share premium	19	565,101	565,101
Revenue reserves	20(a)	(1,015,597)	1,278,346
Translation reserve	20(b)	(77,814)	249,935
Available-for-sale reserve	20(c)	314,067	330,813
Revaluation reserve	20(d)	1,538,394	994,385
Total equity attributable to equity holders of the company		**1,464,293**	**3,558,722**
Non-controlling interest	13(d)	2,081,477	2,536,003
Convertible bond	22	-	5,386,973
Total equity		**3,545,770**	**11,481,698**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	23(b)	879,473	962,155
Liability for staff gratuity	24	45,707	59,148
Long term loan – non-current portion	25	3,511,955	1,797,704
		4,437,135	2,819,007
Current liabilities			
Bank overdraft	17	638,074	748,023
Long term loan – current portion	25	2,827,692	1,725,750
Trade and other payables	26	4,273,688	2,669,275
Convertible bond	22	6,083,468	-
Tax payable	8(d)	11,910	19,661
Unclaimed dividends		244	244
		13,835,076	5,162,953
Total liabilities		**18,272,211**	**7,981,960**
TOTAL EQUITY AND LIABILITIES		**21,817,981**	**19,463,658**

The financial statements on pages 30 to 97 were approved by the Board of Directors on 29 April 2016 and were signed on its behalf by:

Director: ____________________ Director: ____________________

The notes set out on pages 39 to 97 form an integral part of these financial statements.

Company Statement of Financial Position

AS AT 31 DECEMBER 2015

ASSETS	Note	2015 KShs'000	2014 KShs'000
Non-current assets			
Property, plant and equipment	9	9,154	9,257
Quoted investments	13(a)	239	301
Unquoted investments	13(b)	428,441	432,184
Investment in subsidiaries	13(c)	8,979,295	9,382,670
Loans to subsidiaries	14	808,015	718,195
Deferred tax asset	23(a)	1,480	907
		10,226,624	10,543,514
Current assets			
Trade and other receivables	16	917,675	1,074,850
Tax receivables	8(d)	5,205	5,403
Cash and bank balances	17	7,713	9,775
		930,593	1,090,028
TOTAL ASSETS		**11,157,217**	**11,633,542**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 35 - 36)			
Share capital	18	140,142	140,142
Share premium	19	565,101	565,101
Revenue reserves	20(a)	(271,678)	163,211
Available-for-sale reserve	20(c)	7,646,907	8,054,086
Total equity		**8,080,472**	**8,922,540**
Non-current liabilities			
Long term loan – non-current portion	25	948,233	847,907
Current liabilities			
Long term loan – current portion	25	1,780,338	576,073
Trade and other payables	26	347,930	1,286,778
Unclaimed dividends		244	244
		2,128,512	1,863,095
Total liabilities		**3,076,745**	**2,711,002**
TOTAL EQUITY AND LIABILITIES		**11,157,217**	**11,633,542**

The financial statements on pages 30 to 97 were approved by the Board of Directors on 29 April 2016 and were signed on its behalf by:

Director: ______________________ Director: ______________________

The notes set out on pages 39 to 97 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

2015:	Share capital KShs '000	Share premium KShs '000	Revaluation reserves KShs '000	Translation reserve KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs '000	Total equity KShs'000
Balance at 1 January 2015	140,142	565,101	994,385	249,935	330,813	1,278,346	-	3,558,722	2,536,003	6,094,725
Total comprehensive income for the year net of tax										
Loss for the year	-	-	-	-	-	(1,988,223)	-	(1,988,223)	(434,351)	(2,422,574)
Other comprehensive income										
Revaluation of leases, property, plant and equipment	-	-	789,213	-	-	-	-	789,213	745,397	1,534,610
Deferred tax on revaluation	-	-	(236,764)	-	-	-	-	(236,764)	(223,620)	(460,384)
Exchange differences	-	-	-	(435,251)	-	-	-	(435,251)	3,505	(431,746)
Net change in fair value of available-for-sale financial assets	-	-	-	-	(16,746)	-	-	(16,746)	-	(16,746)
Transfer from translation reserves		-	-	93,749	-	(93,749)	-	-	-	-
Transfer from revaluation reserve	-	-	(8,440)	7,680	-	760	-	-	-	-
Total other comprehensive income	**-**	**-**	**544,009**	**(333,822)**	**(16,746)**	**(92,989)**		**100,452**	**525,282**	**625,734**
Total comprehensive income	**-**	**-**	**544,009**	**(333,822)**	**(16,746)**	**(2,081,212)**		**(1,887,771)**	**90,931**	**(1,796,840)**
Transactions with owners of the Company										
Acquisition of NCI at subsidiary without change in control (Note 13 (e))	-	-	-	6,073	-	(212,731)	-	(206,658)	(505,429)	(712,087)
Dividend paid	-	-	-	-	-	-	-	-	(40,028)	(40,028)
Total transactions with owners of the company	**-**	**-**	**-**	**6,073**	**-**	**(212,731)**	**-**	**(206,658)**	**(545,457)**	**(752,115)**
Balance at 31 December 2015	**140,142**	**565,101**	**1,538,394**	**(77,814)**	**314,067**	**(1,015,597)**	**-**	**1,464,293**	**2,081,477**	**3,545,770**

The notes set out on pages 39 to 97 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

2014:	Share capital KShs '000	Share premium KShs '000	Revaluation reserves KShs '000	Translation reserve KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs '000	Total equity KShs'000
Balance at 1 January 2014	136,975	379,717	932,787	112,139	240,187	3,286,015	109,580	5,197,400	2,888,986	8,086,386
Total comprehensive income for the year net of tax										
Loss for the year	-	-	-	-	-	(2,362,677)	-	(2,362,677)	84,748	(2,277,929)
Other comprehensive income										
Revaluation of property, plant and equipment	-	-	77,140	-	-	-	-	77,140	-	77,140
Deferred tax on revaluations	-	-	5,920	-	-	-	-	5,920	11,795	17,715
Exchange differences	-	-	-	122,394	-	-	-	122,394	(12,519)	109,875
Net change in fair value of available-for-sale financial assets	-	-	-	-	90,626	-	-	90,626	-	90,626
Transfer from translation reserves	-	-	(58,599)	16,289	-	42,310	-	-	-	-
Total other comprehensive income	**-**	**-**	**24,461**	**138,683**	**90,626**	**42,310**	**-**	**296,080**	**(724)**	**295,356**
Total comprehensive income	**-**	**-**	**24,461**	**138,683**	**90,626**	**(2,320,367)**	**-**	**(2,066,597)**	**84,024**	**(1,982,573)**
Transactions with owners of the Company										
Transfer within reserves	-	-	37,137	(887)	-	312,698	-	348,948	(348,948)	-
Contributions and distributions										
Issue of additional shares	3,167	185,384	-	-	-	-	-	188,551	-	188,551
Dividend paid	-	-	-	-	-	-	(109,580)	(109,580)	(88,059)	(197,639)
Total transactions with owners of the company	**3,167**	**185,384**	**37,137**	**(887)**	**-**	**312,698**	**(109,580)**	**427,919**	**(437,007)**	**(9,088)**
Balance at 31 December 2014	**140,142**	**565,101**	**994,385**	**249,935**	**330,813**	**1,278,346**	**-**	**3,558,722**	**2,536,003**	**6,094,725**

The notes set out on pages 39 to 97 form an integral part of the financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

2015:	Share capital KShs '000	Share premium KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000
Balance at 1 January 2015	140,142	565,101	8,054,086	163,211	-	8,922,540
Total comprehensive income for the year						
Loss for the year	-	-	-	(434,889)	-	(434,889)
Other comprehensive income for the year						
Net change in fair value of available-for-sale financial assets	-	-	(407,179)	-	-	(407,179)
Total comprehensive income	**-**	**-**	**(407,179)**	**(434,889)**	**-**	**(842,068)**
Balance as at 31 December 2015	**140,142**	**565,101**	**7,646,907**	**(271,678)**	**-**	**8,080,472**

The notes set out on pages 39 to 97 form an integral part of the financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

2014:	**Share capital KShs '000**	**Share premium KShs '000**	**Available for sale reserve KShs '000**	**Revenue reserves KShs '000**	**Proposed dividends KShs'000**	**Total KShs'000**
Balance at 1 January 2014	136,975	379,717	9,496,942	114,563	109,580	10,237,777
Total comprehensive income for the year						
Profit for the year	-	-	-	48,648	-	48,648
Other comprehensive income for the year						
Net change in fair value of available-for-sale financial assets	-	-	(1,442,856)	-	-	(1,442,856)
Total comprehensive income for the year	**-**	**-**	**(1,442,856)**	**48,648**	**-**	**(1,394,208)**
Transactions with owners of the company						
Contributions and distributions						
New shares issued during the year	3,167	185,384	-	-	-	188,551
Dividend paid	-	-	-	-	(109,580)	(109,580)
Total transactions with owners of the company	**3,167**	**185,384**	**-**		**(109,580)**	**78,971**
Balance as at 31 December 2014	**140,142**	**565,101**	**8,054,086**	**163,211**	**-**	**8,922,540**

The notes set out on pages 39 to 97 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 KShs'000	2014 KShs'000
Net cash flows from operating activities			
Loss before taxation		(2,956,073)	(2,114,202)
Adjustment for non-cash items		1,230,767	2,195,450
Operating (loss)/profit before working capital changes		**(1,725,306)**	**81,248**
Working capital changes:			
Trade and other receivables		(505,189)	957,085
Inventories		(39,755)	(319,580)
Trade and other payables		1,604,413	(892,795)
Provision for staff gratuity		(13,441)	15,475
Cash used in operations		**(679,278)**	**(158,567)**
Income tax paid	8(d)	(87,838)	(212,853)
Dividends paid to shareholders of the company		-	(109,580)
Dividend paid to non-controlling interest		(40,028)	(88,059)
Net cash flows used in operating activities		**(807,144)**	**(569,059)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(909,453)	(1,340,955)
Purchase of intangible assets	12(a)	(6,280)	(6,366)
Proceeds from disposal of investments		-	3,758,811
Proceeds from disposal of property, plant and equipment		19,711	35,753
Net cash flows (used in)/generated from investing activities		**(896,022)**	**2,447,243**
Cash flows from financing activities			
Acquisition of non-controlling interest	13(e)	(712,087)	-
Proceeds from loans and borrowing	25	7,043,479	3,736,802
Repayment of loans and borrowing	25	(4,227,286)	(5,833,370)
Interest paid on convertible bond	22	(348,891)	(294,774)
Issuing new capital	18 & 19	-	188,551
Net cash flows from/(used) in financing activities		**1,755,215**	**(2,202,791)**
Net increase/(decrease) in cash and cash equivalents		**52,049**	**(324,607)**
Cash and cash equivalents at the beginning of the year	17	(454,760)	(130,153)
Cash and cash equivalents at the end of the year	17	(402,711)	(454,760)
Net increase/(decrease) in cash and cash equivalents		**52,049**	**(324,607)**

The notes set out on pages 39 to 97 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

TransCentury Limited (TCL) is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The consolidated financial statements of the company as at and for the year ended 31 December 2015 comprise the company and its subsidiaries (together referred to as the "Group"). The address of its registered office is as follows:

8th Floor, West End Towers
Off Waiyaki Way
P.O. Box 42334
00100 Nairobi GPO

Where reference is made in the accounting policies to Group it should be interpreted as being applicable to the consolidated or company financial statements as the context requires.

2. BASIS OF PREPARATION AND ACCOUNTING

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act.

For Kenyan Companies Act reporting purposes in these financial statements, the balance sheet is presented by the statement of financial position and the profit and loss account is presented by the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Available-for-sale financial assets are measured at fair value;
- Investment property is measured at fair value;
- Certain items of property, plant and equipment are measured at revalued amounts; and
- Investments in subsidiaries (company financial statements) are measured at fair value

(c) Functional and presentation currency

These financial statements are presented in Kenya Shillings (KShs), which is also the company's functional currency. All financial information presented has been rounded to the nearest thousand except where otherwise indicated.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The estimates and assumptions are based on the directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key areas of judgement in applying the entities accounting policies are dealt with in the respective accounting policy note or/and disclosure note. Specifically, critical judgements, assumptions and estimation uncertainties are required in the following;

(i) Consolidation

Judgement is required on whether the group has defacto control over an investee (note 3 (b) (ii)). Judgement is also made during acquisition of subsidiaries where fair value is measured on a provisional basis.

(ii) Revenue recognition

Critical estimates are made by directors in determining revenue recognition under the percentage of completion approach for ongoing contracts at the reporting date. Revenue and cost relating to work not certified at the reporting date is accrued on long-term contracts based on experts valuation of work completed and not yet certified at the reporting date.

(iii) Lease classification

Judgement is required in assessing classification of leases into either finance or operating leases, and in determining whether arrangements contain a lease (Note 3 (f)).

(iv) Employee benefits

Certain assumptions are made when estimating employee benefits liabilities under gratuity schemes (Note 3 (k)).

(v) Taxation

Recognition of deferred tax assets requires assessment of future taxable profits against which carry forward tax losses can be used (Note 3 (l)).

(vi) Impairment tests

Key assumptions underlying recoverable amounts are made in determining carrying amounts of goodwill, receivables, investments in subsidiaries, tangible and intangible assets, investment properties etc, especially where indicators of impairment exist.

(vii) Recognition and measurement of contingencies

Key assumptions are made about the likelihood and magnitude of an outflow of resources.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (Continued)

(e) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has established control framework with respect to the measurements of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair measurements, including Level 3 fair values, and reports directly to the Chief Executive Officer (CEO). Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair values of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other that quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or directly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Valuation of unquoted investments and subsidiaries

For equity instruments for which no active market exists, the Group uses the price of a recent investment or the earnings multiple to estimate the fair value of these investments. Management uses estimates based on historical data relating to earnings of the investee company and other market based multiples in arriving at the fair value.

The primary assumption in employing the earnings multiple method is that the market has assigned an appropriate value to the benchmark company. The methodology and assumptions used for arriving at the market based multiples are reviewed and compared with other methodologies to ensure there are no material variances.

Valuation of quoted investments

For quoted instruments, the fair value is determined by reference to their value weighted average price at the reporting date.

Valuation of investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The values adopted in the financial statements are based on professional valuation, performed on a regular basis, by registered valuers.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (Continued)

(e) Measurement of fair values (continued)

Valuation of property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the professional valuation on the acquisition date performed by registered valuers on an open market value basis.

(f) Going Concern and subsequent events

The Group incurred a loss of KShs 2.4 billion during the year ended 31 December 2015 (2014 – KShs 2.3 billion), and as of that date, the Group's current liabilities exceeded its current assets by KShs 5.1 billion. The Group has put in place the following initiatives to ensure that it meets its obligations as and when they fall due:

(i) ***Renegotiated terms of the convertible bond:*** On 24 March 2016, the Group reached an agreement with convertible bondholders the results of which was to reduce the convertible bond debt (see Note 22 and 33) included in these financial statements from KShs 6 billion (USD 60 million) to KShs 4 billion (USD 40 million) under the amended terms and conditions of the bond. As part of that reduction, the Group will write back the principal and the interest charges amounting to KShs 2 billion (USD 19.4 million) in 2016 which will reduce liquidity pressures.

(ii) ***Kuramo Capital injection:*** On 14 March 2016, the Group reached an agreement with Kuramo Capital Management, an African focused investment manager to inject USD 20 million (approximately KShs 2 billion) of fresh equity into the business. This investment by this strategic investor will complement other funding options to settle the outstanding convertible bond and fund infrastructure projects. The funds from capital injection are expected to be received in September 2016 and will settle 50% of the bond debt (refer to Note 33).

(iii) ***Rollover loan with bondholders:*** As indicated in (ii) above, the first USD 20 million of the convertible bond shall be settled from the equity injection by Kuramo Capital by 25 September 2016 and the balance of USD 20 million, if not paid by 25 September 2016 from other funding options currently being undertaken by the Group, will be converted to unsecured loan repayable over three years period.

(iv) ***African Export-Import Bank (Afreximbank) financing arrangement:*** The Group is reviewing its banking relationships with a view to reducing the number of relationships and maintain a few key strategic relationships for all working capital and asset financing requirements of the business across the Sub-Saharan Africa. This strategic decision has arisen from the need to achieve economies of scale through consolidation of all existing trade finance and term loan facilities into one global facility with Afreximbank. The global facility will comprise of refinancing of existing debt and additional facilities to fund the Group's growth and expansion strategy (See Note 33).

The directors having taken into account the initiatives above and information at hand are confident that the going concern assumption is appropriate in the preparation of these Group financial statements. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all periods presented in these financial statements and have been consistently applied by Group entities, except where indicated otherwise:

(a) Revenue recognition

(i) Sale of goods and rendering of services

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Revenue from services rendered is recognised in the profit or loss proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work done.

The revenue is stated net of Value Added Tax (VAT) returns, trade discounts and volume rebates.

(ii) Dividends

Dividend income is recognised in the profit or loss proportion on the date that the Group's right to receive payment is established.

(iii) Interest on deposits with financial institutions

Interest on deposits with financial institutions is accounted for on a time proportion basis in profit or loss using the effective interest method.

(iv) Discount on treasury bills

Discount on treasury bills is credited to profit or loss on a straight line basis over the maturity period of the investment.

(b) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(i) Business combinations - continued

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquiree's replacement awards is included in measuring the consideration transferred in the business combination. The determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated financial statements include the company and its subsidiaries. The significant subsidiaries are as follows:

Subsidiary	Country of incorporation	2015 %	2014 %
Cable Holdings (Kenya) Limited	Kenya	100	100
East African Cables Limited	Kenya	68.4	68.4
East African Cables Tanzania Limited	Tanzania	35.2	35.2
AEA (formerly Avery East Africa) Limited	Kenya	94.4	94.4
TransCentury Holdings (Pty) Limited	South Africa	100	100
Kewberg Cables & Braids (Pty) Limited	South Africa	100	100
Tanelec Zambia Limited	Zambia	56	56
Tanelec Limited	Tanzania	70	70
Crystal Limited	Tanzania	100	100
TC Mauritius Holdings Limited	Mauritius	100	100
Cable Holdings Mauritius Limited	Mauritius	100	100
TC Engineering and Contracting Limited	Mauritius	100	100
TC Railway Holdings Limited	Mauritius	100	100
Safari Rail Company Limited	Mauritius	100	100
Civicon Africa Group Limited*	Mauritius	78	62
Civicon DRC Holdings Limited	Mauritius	100	100
Cableries du Congo Sarl	Democratic Republic of Congo	100	100

* See Note 13 (c) for details on change in shareholding during the year.

In the company financial statements, investments in subsidiaries are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(iii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(c) Translation of foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(ii) Foreign operations

The consolidated financial statements are presented in Kenya Shillings, which is the group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into Kenya Shillings at the rate of exchange ruling at the reporting date, and their income statements are translated at the weighted average exchange rates for the period. Exchange differences arising on translation are recognised in other comprehensive income and accumulated in equity in the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised through other comprehensive income into profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Items of property, plant and equipment are stated initially at historical cost and subsequently at historical costs or the revalued amount (as appropriate) less accumulated depreciation and impairment losses. The revaluation is performed by a professional valuation expert after every three years, and the resulting surplus is recognised in other comprehensive income (OCI) and accumulated in equity under revaluation reserves. A revaluation increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Any revaluation deficits are recognised in profit or loss unless there exists a credit in the revaluation reserve for that asset, in which case they are recognised in OCI.

Cost includes expenditure that is directly attributable to acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant 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 only capitalised when it is probable that the future economic associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated. The annual rates of depreciation used for the current and comparative periods are as follows:

• Freehold buildings	2% – 5%
• Leasehold buildings	2% or over the lease period if shorter than 50 years on acquisition
• Plant, machinery and equipment	5% - 13%
• Furniture, fixtures, fittings, motor vehicles and computers	12.5% - 33%

The assets' residual values, depreciation methods and useful lives are re-assessed and adjusted as appropriate at each reporting date.When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(f) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Prepaid operating lease rentals

Prepaid operating lease rentals relate to leasehold land. The Group has classified leasehold land as a finance lease and measured the leasehold land at fair value with changes in fair value recognised in other comprehensive income.

(h) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. 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 original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed 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. An impairment loss in respect of goodwill is not reversed.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventory

Cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition.

Work in progress and manufactured finished goods are valued at production cost including direct production costs (cost of materials and labour) and an appropriate proportion of production overheads and factory depreciation. The cost of inventory is based on the weighted average principle.

If the purchase or production cost is higher than net realisable value, inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(j) Trade and other receivables

Trade and other receivables are stated at amortised cost less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end.

(k) Employee benefits

(i) Defined contribution plans

Some employees of the Group are eligible for retirement benefits under defined contribution plans provided through separate fund arrangements.

Contributions to the defined contribution plan are charged to the profit or loss as incurred.

(ii) Staff gratuity

Unionisable staff for East African Cables Limited, Tanelec Limited and Civicon Limited are eligible to gratuity upon retirement based on the terms stipulated in the respective Collective Bargaining Agreements. A liability is made in the financial statements for the estimated liability of such gratuity payable. Movements in the liability are accounted for in profit or loss.

(iii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised as an expense in the year and carried in the accruals as a payable.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation

Tax on the operating results for the year comprises current tax and change in deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is provided on the results in the year as shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the tax asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, on the basis of the tax rates enacted or substantively enacted at the reporting date.

(m) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances, and short term deposits net of bank overdrafts.

(n) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and group or related companies.

(o) Dividends

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are treated as a separate component of equity.

(p) Financial instruments

(i) Classification

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. These are classified as follows:

Financial assets at fair value through profit or loss: This category has two subcategories; financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial instruments reclassified in this category are those that the Group holds principally for the purpose of short-term profit taking.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

(i) Classification– continued

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Loans and receivables comprise trade and other receivables, cash and cash equivalents and balances due from Group companies.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has positive intent and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale assets are the non-derivative financial assets that are designated as available for sale or are not classified as held for trading purposes, loans and receivables or held to maturity. These include quoted and unquoted investments and investments in funds.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities include loans, bank overdrafts, convertible bond, trade and other payables.

(ii) Recognition

The Group recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised.

Held-to-maturity, loans and receivables are recognised on the date they are transferred to the Group.

(iii) Measurement

Financial instruments are measured initially at fair value, including transaction costs.

Subsequent to initial recognition all instruments measured at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

(iii) Measurement – continued

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and presented within equity until the instrument is derecognised or impaired, at which time the cumulative gain or loss is recognised in profit or loss and trading instrument gains or losses are recognised in profit or loss in the period they arise.

(iv) Offsetting

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

(v) Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

(q) Intangible assets

(i) Goodwill/premium on acquisition

All business combinations are accounted for by applying the acquisition method when control is transferred to the group. Goodwill represents the difference between the consideration transferred and the fair value of the net identifiable assets acquired.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment and once goodwill is impaired the impairment is not reversed.

Bargain purchase arising on an acquisition is recognised directly in profit or loss.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over the expected useful lives.

(iii) Brand

Acquired assets are capitalised and are measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over estimated useful life. The estimated useful life of the brand for the current and comparative periods is 20 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specifics to the liability.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year and changes in accounting policy.

(t) Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Adoption of new standards or amendments effective for the period ended 31 December 2015

- Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for practical expedience, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014.

The adoption of these changes did not affect the amounts and disclosures of the Group's defined benefits obligations.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and revised standards and interpretations not yet adopted by the Group

New standard or amendments	Effective for annual periods beginning on or after
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• IFRS 9 Financial Instruments (2014)	1 January 2018
• IFRS 16 Leases	1 January 2019

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

- ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)***

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The adoption of these changes is not expected to affect the amounts and disclosures of the Group's transactions with associates or joint ventures.

- ***Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)***

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and revised standards and interpretations not yet adopted by the Group - continued

- ***Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) - continued***

  Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

  The adoption of these changes is not expected to have a significant impact on the Group's financial statements.

- ***Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)***

  The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.

  The new requirements are effective from 1 January 2016, with earlier adoption permitted.

  The Group does not have any bearer plants. Consequently, the amendment would not have any impact on the Group's financial statements.

- ***Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)***

  The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

  The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

  The adoption of these changes is not expected to affect the amounts and disclosures of the Group's property, plant and equipment and intangible assets.

- ***Equity Method in Separate Financial Statements (Amendments to IAS 27)***

  The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(t) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and revised standards and interpretations not yet adopted by the Group - continued

- ***Equity Method in Separate Financial Statements (Amendments to IAS 27) - continued***

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

The adoption of these changes is not expected to have a significant impact on the Group's financial statements.

- ***IFRS 14 Regulatory Deferral Accounts***

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of this standard is not expected to have an impact the financial statements of the Group's given that it is not a first time adopter of IFRS.

- ***Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)***

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted. The adoption of these changes will not affect the amounts and disclosures of the Group's interests in other entities.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and revised standards and interpretations not yet adopted by the Group - continued

- ***Disclosure Initiative (Amendments to IAS 1)***

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

The adoption of these changes will not affect the amounts and disclosures of the Group's interests in other entities.

- ***IFRS 15 Revenue from Contracts with Customers***

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

- ***IFRS 9: Financial Instruments (2014)***

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The Group is assessing the potential impact on the financial statements of the Group resulting from the application of IFRS 9.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

(ii) New and revised standards and interpretations not yet adopted by the Group - continued

• IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.
(b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
(c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

(a) short-term leases (i.e. leases of 12 months or less) and;
(b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied).

The Group is assessing the potential impact on the financial statements of the Group resulting from the application of IFRS 16.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group and company has exposure to the following risks from its use of financial instruments:

(a) Credit risk;
(b) Liquidity risk; and
(c) Market risk.

This note presents information about the Group and company's exposure to each of the above risks, the Group and company's objectives, policies and processes for measuring and managing risk, and the Group and company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group and company's risk management framework. The finance department identifies, evaluates and hedges financial risks.

The Board of Directors oversees how management monitors compliance with the Group and company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and company.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and company's receivables from customers.

The carrying amount of financial assets represents the maximum exposure to credit risk:

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Trade receivables	3,829,112	5,168,138	-	-
Staff debtors	153	1,554	153	1,554
Due from related parties	-	-	769,173	1,062,875
Cash and bank balances	235,363	293,263	7,713	9,775
	4,064,628	**5,462,955**	**777,039**	**1,074,204**

Impairment losses	**Consolidated 2015 KShs '000**	**Consolidated 2014 KShs '000**
The ageing of trade receivables at the reporting date was:		
Not past due	554,259	668,240
Past due 0-90 days	726,870	1,272,900
Past due 91-365 days	1,037,443	2,736,918
More than one year	2,123,006	730,970
	4,441,578	5,409,028
Net impairment	(612,466)	(240,890)
	3,829,112	**5,168,138**

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015	2014
Group	**KShs'000**	**KShs'000**
Balance at 1 January	240,890	267,265
Net impairment loss recognised	371,576	-
Bad debts recovered	-	(26,375)
Balance at 31 December	**612,466**	**240,890**

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk arises in the general funding of the company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group has access to a diverse funding base. Funds are raised mainly from its shareholders, strategic investors, banks and its own internal resources.

The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall company strategy.

In addition, the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The table below shows the contractual maturity of financial liabilities as well as contractual interest payments:

Group

2015: **KShs'000**	**Due on demand**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Total**
Liabilities:					
Bank loans	-	706,923	2,120,769	3,511,955	6,339,647
Interest payable on loans	-	87,022	261,067	432,322	780,411
Convertible bond	-	-	6,083,468	-	6,083,468
Bank overdraft	638,074	-	-	-	638,074
Trade and other payables	4,273,688	-	-	-	4,273,688
Total financial liabilities	**4,911,762**	**793,945**	**8,465,304**	**3,944,277**	**18,115,288**
2014:					
Liabilities:					
Bank loans	-	811,626	914,124	1,797,704	3,523,454
Interest payable on loans	-	96,583	108,781	213,927	419,291
Convertible bond	-	-	-	5,386,973	5,386,973
Bank overdraft	524,412	223,611	-	-	748,023
Trade and other payables	2,669,275	-	-	-	2,669,275
Total financial liabilities	**3,193,687**	**1,131,820**	**1,022,905**	**7,398,604**	**12,747,016**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

Company

2015:
KShs'000

	Due on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities:					
Bank loans	-	127,275	1,076,990	948,233	2,152,498
Interest payable on loans	-	10,182	86,159	75,859	172,200
Loans from subsidiaries	-	-	576,073	-	576,073
Trade and other payables	347,930	-	-	-	347,930
Total financial liabilities	**347,930**	**137,457**	**1,739,222**	**1,024,092**	**3,248,701**
2014:					
Liabilities:					
Bank loans	-	-	-	847,907	847,907
Interest payable on loans	-	-	-	63,593	63,593
Loans from subsidiaries	-	-	-	576,073	576,073
Trade and other payables	1,286,778	-	-	-	1,286,778
Total financial liabilities	**1,286,778**	**-**	**-**	**1,487,573**	**2,774,351**

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The company's transactional exposures give rise to foreign currency gains and losses that are recognised in profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying foreign currencies at spot rates to enable the Group to meet its obligations. The Group's exposure to foreign currency risk was as follows based on notional amounts in US dollars:

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Loans to subsidiaries	-	-	808,015	718,195
Cash and bank balances	56,653	178,427	2,287	3,252
Unquoted investments	536,203	539,353	428,441	432,184
Due from related parties	-	-	613,185	585,886
Due to related parties	-	-	(142,818)	(1,202,748)
Bank overdraft	(638,074)	(748,023)	-	-
Bank loans	(6,339,647)	(3,523,454)	(2,152,498)	(847,907)
Net statement of financial position exposure	**(6,384,865)**	**(3,553,697)**	**(443,388)**	**(311,138)**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2015	**2014**	**2015**	**2014**
	KShs	**KShs**	**KShs**	**KShs**
USD	102.31	90.60	98.25	87.92
TShs	21.11	19.10	20.73	18.93
ZAR	6.58	7.79	7.72	8.12

Sensitivity analysis

A 10 percent strengthening of the Kenya Shilling against the US Dollar would have decreased profit or (loss) by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014:

	Group	Company
	KShs'000	**KShs'000**
At 31 December 2015	**638,487**	**44,389**
At 31 December 2014	**355,370**	**31,114**

(ii) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rates levels consistent with the company's business strategies. The company does not have any significant interest rate risk exposures as currently all interest bearing borrowings and advances are at a fixed rate.

The table below summarizes the interest rate profile of the Group's interest-bearing financial assets and liabilities:

	Effective interest rate (%)		2015	2014
Group	**2015**	**2014**	**KShs'000**	**KShs'000**
Bank loans	12.31%	11.96%	6,339,647	3,523,454
Convertible bond	6.00%	6.00%	6,083,468	5,386,973
Bank overdraft	11.00%	10.5%	638,074	748,023
			13,061,189	**9,658,450**
Company				
Bank loans	8.00%	7.50%	2,152,498	847,907
			2,152,498	**847,907**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis for variable interest-bearing liabilities

An increase of 10 percentage point in interest rates at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect in Kenya Shillings (KShs)	Statement of profit or loss and other comprehensive income			
	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Bank loans	54,629	29,350	12,054	4,452
Bank overdraft	4,913	5,498	-	-
	59,542	**34,848**	**12,054**	**4,452**

A decrease of 10 percentage point in interest rates at the reporting date would have had an equal but opposite effect on the profit and loss, on the basis that all other variables remain constant.

The interest rate on the convertible bond is fixed at 6% hence changes in market rates would not have an impact on profit or loss.

(iii) Market price risk

The Group is exposed to equity price risk which arises from available-for-sale financial instruments quoted at the Nairobi Securities Exchange (NSE). The fair values of quoted investments have been disclosed at Note 13(a).

Sensitivity analysis to equity price risk

A 10 percentage point increase of prices at the NSE would have increased equity by KShs 16,730 (2014 - KShs 21,070) net of tax. There would be no impact to profit or loss as fair value changes are recognized in other comprehensive income.

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) Fair values for financial assets and financial liabilities

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.

The long term loans are subject to variable interest rates and as such reprice with changes in market rates. The Group has not disclosed the fair values of long term loans as the carrying amounts are a reasonable approximation of fair values.

The Group has not disclosed the fair values for short-term financial instruments such as trade receivables, cash and bank balances, overdrafts, convertible bond and trade payables as their carrying amounts are a reasonable approximation of fair values.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Valuation hierarchy

The fair value of financial assets and liabilities measured at fair values was determined as follows:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Quoted investments	Prices quoted at Nairobi Securities Exchange	None	Not applicable
Un Quoted investments	The entity's unquoted investments include investments in: • Development bank of Kenya – The Price to Book multiple approach valuation technique was used.	Marketability discount of 15% Enterprise Value (EV) / Revenue Multiple of 1.6x	• Increase/(decrease) in marketability discount results in (decrease)/increase in the fair value of the investment. • Increase/(decrease) in the EV/Revenue multiple results in an increase/(decrease) in the fair value of the investment.
	• Mwangaza Limited – The Price to Book multiple approach valuation technique was used.	Marketability discount of 10% Price to Book Multiple of 2.6x.	• Increase/(decrease) in marketability discount results in a (decrease)/ increase in the fair value of the investment. • Increase/(decrease) in P/NAV multiple results in an increase/(decrease) in the fair value of the investment.

The fair value for the financial assets as at 31 December 2015 and 31 December 2014 is as follows (these have been disclosed at Note 13):

31 December 2015:	**Level 1**	**Level 2**	**Level 3**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Quoted investments	239	-	-	239
Unquoted investments	-	536,203	-	536,203
Total assets	**239**	**536,203**	**-**	**536,442**
31 December 2014:				
Quoted investments	301	-	-	301
Unquoted investments	-	539,353	-	539,353
Total assets	**301**	**539,353**	**-**	**539,654**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Valuation hierarchy (continued)

The fair value for the financial assets as at 31 December 2015 and 31 December 2014 is as follows (these have been disclosed at Note 13):

Company

31 December 2015:	**Level 1**	**Level 2**	**Level 3**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Quoted investments	239	-	-	239
Unquoted investments	-	428,441	-	428,441
Total assets	**239**	**428,441**	**-**	**428,680**
31 December 2014:				
Quoted investments	301	-	-	301
Unquoted investments	-	432,184	-	432,184
Total assets	**301**	**432,184**	**-**	**432,485**

5. REVENUE, OTHER INCOME AND EXPENSES

	2015	**2014**
	KShs '000	**KShs '000**
Group		
(a) Revenue		
Sale of goods	5,057,832	6,697,953
Rendering of services	699,014	645,290
Construction contract revenue	6,033,381	2,906,350
	11,790,227	**10,249,593**
(b) Other income		
(Loss)/gain on sale of property	(2,814)	21,008
Change in fair value of investment property	-	71,267
Sale of scraps	-	8,216
Fair value change on investment property (Note 10)	40,000	71,267
Other income	57,717	113,518
	94,903	**285,276**
(c) Expenses by nature		
Cost of sales		
Raw materials	5,142,574	5,893,604
Direct staff costs	1,690,507	1,354,279
Equipment hire	345,825	88,755
Machinery repairs and maintenance	231,014	117,735
Utility expenses	107,645	51,386
Freight	42,339	20,934
Licences, insurance and permits	833,178	180,951
Subcontracting	826,506	(130,288)
Others	40,043	91,310
	9,259,631	**7,668,666**

Notes to the Consolidated Financial Statements

5. REVENUE, OTHER INCOME AND EXPENSES (Continued)

	2015 KShs '000	2014 KShs '000
(c) Expenses by nature - continued		
Operating expenses		
Staff costs	1,093,971	831,613
Directors fees	45,232	58,270
Utility fees	87,763	178,396
Repairs and maintenance	76,945	88,657
Office expenses	467,699	765,986
Legal and professional fees	379,926	238,452
Distribution expenses	59,218	109,290
Others	288,499	312,131
	2,499,253	**2,582,795**
(d) Staff costs		
Wages and salaries	2,651,121	1,962,607
Social security contributions	24,952	196,401
Contribution to defined contribution plans	35,373	24,558
Termination benefits	73,032	2,326
	2,784,478	**2,185,892**
Presented in profit or loss as follows:		
Cost of sales	1,690,507	1,354,279
Operating expenses	1,093,971	831,613
	2,784,478	**2,185,892**

6. RESULTS FROM OPERATING ACTIVITIES

Group

		2015 KShs '000	2014 KShs '000
Results from operating activities are arrived at after charging/(crediting):			
Depreciation		772,807	665,876
Amortisation of prepaid operating lease rentals		15,379	4,609
Amortisation of intangible assets		13,833	8,880
		802,019	679,365
Impairment of intangible assets		-	28,729
Impairment for inventory		-	(2,223)
Impairment of trade receivables		371,576	(26,375)
Directors' emolument	- Group	42,398	39,216
	- Company	10,843	11,829
Auditors' remuneration	- Group and subsidiaries	40,251	37,258
	- Company	4,350	3,850
Loss/(gain) on disposal of property, plant and equipment		2,815	(21,008)

7. NET FINANCE COSTS

	2015 KShs '000	2014 KShs '000
Group		
(a) Exchange losses		
Loss on exchange	(1,117,495)	(184,351)
(b) Finance income		
Interest income on loans and receivables	-	47,503
(c) Finance costs		
Interest on convertible bond	(335,070)	(294,774)
Interest on loans	(456,159)	(277,983)
	(791,229)	(572,757)
Net finance costs (a+b+c)	**(1,908,724)**	**(709,605)**

8. INCOME TAX

Group

(a) Income tax (credit)/ expense

(i) Amounts recognised in profit or loss

	2015 KShs '000	2014 KShs '000
Current tax:		
Charge for the year at 30%	104,931	56,540
Prior year over provision	(14,069)	-
	90,862	56,540
Deferred tax (credit)/ expense:		
Current year (Note 23(c))	(540,169)	107,770
Prior year under provision (Note 23(c))	(84,192)	(583)
	(624,361)	107,187
	(533,499)	**163,727**

(ii) Amounts recognised in other comprehensive income

	2015 KShs '000	2014 KShs '000
Arising from:		
Prepaid operating lease rentals		
Revaluation of property, plant and equipment:	248,811	-
- Current year	211,573	21,599
- Prior year over provision	-	(39,314)
	460,384	**(17,715)**

8. **INCOME TAX (Continued)**

(b) **Reconciliation of effective tax rate**

The tax on the consolidated results differs from the theoretical amount using the basic tax rate as follows:

	2015 Rate	2015 KShs'000	2014 Rate	2014 KShs '000
Accounting loss before tax		**(2,956,073)**		**(2,114,202)**
Tax at the domestic rate of 30%	30%	(886,822)	(30%)	(634,261)
Prior years under provision				
- Current tax	1%	(14,069)	-	-
- Deferred tax	3%	(84,192)	-	(583)
Effect of taxes in foreign jurisdictions*	(6%)	177,554	17%	361,298
Movement in deferred tax not recognised	(5%)	158,901	4%	91,546
Tax effect of non-deductible expenses	(5%)	136,911	23%	493,928
Tax effect of non-taxable income	1%	(21,784)	(7%)	(148,201)
Income tax expense	**18%**	**(533,499)**	**7%**	**163,727**

* TransCentury Holdings Proprietary Limited and Kewberg Cables & Braids Proprietary Limited operate in South Africa where corporate taxes are 28%. TransCentury Mauritius Limited, Cable Holding Mauritius Limited, TC Railway Holdings Limited and Safari Rail Company Limited operate in Mauritius where the corporate tax rate is 15%. Certain subsidiaries of TransCentury Mauritius Limited operate in South Sudan where tax bands range between 10% and 25%.

The directors believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior year experience.

(c) **Movement in unrecognised deferred tax**

	At 1 January KShs'000	Prior year under provision of unrecognised deferred tax KShs'000	Movement in unrecognized deferred tax KShs'000	At 31 December KShs'000
2015:				
Arising from:				
Tax losses	176,309	-	82,518	258,827
Leave provision	-	2,664	479	3,143
Bonus provision	-	12,515	(4,834)	7,681
Unrealised exchange loss	-	29,791	80,738	110,529
	176,309	**44,970**	**158,901**	**380,180**
2014:				
Arising from:				
Tax losses	**84,763**	**-**	**91,546**	**176,309**

Deferred tax assets have not been recognized in respect of tax losses for some subsidiaries because it is not probable that future taxable profit will be available against which the subsidiaries can use the benefit therefrom.

8. INCOME TAX (Continued)

(d) Tax recoverable/payable account

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Balance as at 1 January	175,143	18,830	5,403	4,329
Impairment/(offset) during the year	-	(15,625)	-	-
Current tax charge	(104,931)	(56,540)	(2,931)	(2,541)
Prior year over provision	14,069	-	-	-
Paid during the year	87,838	212,853	2,733	3,615
Foreign exchange translation differences	2,622	15,625	-	-
Balance as at 31 December	**174,741**	**175,143**	**5,205**	**5,403**
Comprising:				
Current tax recoverable	186,651	194,804	5,205	5,403
Current tax payable	(11,910)	(19,661)	-	-
Balance as at 31 December	**174,741**	**175,143**	**5,205**	**5,403**

9. PROPERTY, PLANT AND EQUIPMENT (PPE)

Group 2015:	Heavy Commercial vehicles KShs'000	Free hold land and buildings KShs'000	Lease hold land and buildings KShs'000	Plant and machinery KShs'000	Vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress KShs'000	Total KShs'000
Cost/ Valuation:								
At 1 January 2015	1,980,857	676,059	3,154,611	4,456,446	411,108	296,069	319,801	11,294,951
Additions	420,601	43,636	8,918	178,241	76,435	28,778	152,844	909,453
Transfer from work in progress	-	-	126,628	216,239	-	(19,217)	(323,650)	-
Transfer to operating lease rentals (Note 11)	-	-	(191,722)	-	-	-	-	(191,722)
Transfer to intangible assets (Note 12)	-	-	-	-	-	-	(9,473)	(9,473)
Disposals	(63,783)	-	-	(22,599)	(35,094)	(2,143)	-	(123,619)
Revaluation	-	-	434,450	(177,159)	-	2,806	-	260,097
Exchange differences	184,491	(14,624)	(101,087)	3,052	30,623	991	5,340	108,786
At 31 December 2015	2,522,166	705,071	3,431,798	4,654,220	483,072	307,284	144,862	12,248,473
Comprising:								
Cost	2,522,166	412,991	785,452	1,935,332	113,759	74,961	57,780	5,902,441
Valuation	-	292,080	2,646,346	2,718,886	369,313	232,323	87,082	6,346,032
	2,522,166	705,071	3,431,798	4,654,220	483,072	307,284	144,862	12,248,473
Depreciation:								
At 1 January 2015	1,610,708	84,502	219,659	1,417,162	392,572	201,401	5,419	3,931,423
Charge for the year	273,094	19,871	72,049	325,829	51,929	30,035	-	772,807
Disposals	(60,291)	-	(341)	(9,551)	(29,586)	(1,324)	-	(101,093)
Revaluation	-	-	(142,047)	(302,863)	-	(233)	-	(445,143)
Exchange differences	193,982	(6,239)	(12,051)	53,553	23,216	1,400	-	253,861
At 31 December 2015	2,017,493	98,134	137,269	1,484,130	438,131	231,279	5,419	4,411,855
Carrying value:								
At 31 December 2015	**504,673**	**606,937**	**3,294,529**	**3,170,090**	**44,941**	**76,005**	**139,443**	**7, 836,618**

9. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group **2014:**	**Heavy commercial vehicles KShs'000**	**Free hold land and buildings KShs'000**	**Lease hold land and buildings KShs'000**	**Plant and machinery KShs'000**	**Vehicles KShs'000**	**Furniture, fittings and equipment KShs'000**	**Work in progress KShs'000**	**Total KShs'000**
Cost/ Valuation:								
At 1 January 2014	1,926,624	602,957	2,663,324	3,819,812	440,081	288,158	190,085	9,931,041
Additions	83,380	-	233,518	209,699	23,824	45,569	744,965	1,340,955
Transfer from work in progress	-	-	257,045	353,531	-	-	(610,576)	-
Reclassification (Note 12)	-	-	-	-	-	(28,877)	-	(28,877)
Disposals	(57,793)	-	(408)	(1,366)	(61,406)	(6,563)	(8,668)	(136,204)
Revaluation	-	77,140	-	-	-	-	-	77,140
Exchange differences	28,646	(4,038)	1,132	74,770	8,609	(2,218)	3,995	110,896
At 31 December 2014	1,980,857	676,059	3,154,611	4,456,446	411,108	296,069	319,801	11,294,951
Comprising:								
Cost	1,980,857	383,979	942,715	1,560,402	41,795	66,552	232,719	5,209,019
Valuation	-	292,080	2,211,896	2,896,044	369,313	229,517	87,082	6,085,932
	1,980,857	676,059	3,154,611	4,456,446	411,108	296,069	319,801	11,294,951
Depreciation:								
At 1 January 2014	1,404,723	74,866	149,606	1,106,167	373,450	186,599	5,419	3,300,830
Charge for the year	197,109	10,822	64,312	287,016	68,176	38,441	-	665,876
Disposals	(57,148)	-	-	(336)	(58,117)	(5,858)	-	(121,459)
Reclassification (Note 12)	-	-	-	-	-	(19,021)	-	(19,021)
Exchange differences	66,024	(1,186)	5,741	24,315	9,063	1,240	-	105,197
At 31 December 2014	1,610,708	84,502	219,659	1,417,162	392,572	201,401	5,419	3,931,423
Carrying value:								
At 31 December 2014	**370,149**	**591,557**	**2,934,952**	**3,039,284**	**18,536**	**94,668**	**314,382**	**7,363,528**

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company - Furniture, fittings and equipment	2015 KShs'000	2014 KShs'000
Cost or valuation:		
At 1 January	25,901	18,128
Additions	4,813	7,773
Disposals	(533)	-
At 31 December	30,181	25,901
Depreciation:		
At 1 January	16,644	13,262
Charge for the year	4,620	3,382
Disposals	(237)	-
At 31 December	21,027	16,644
At 31 December	**9,154**	**9,257**

Fully depreciated assets' value as at December 2015 amount to KShs 501,416,534 (2014 - KShs 179,281,763) with a nominal depreciation of KShs 91,231,231 (2014 - KShs 25,347,448).

The work in progress (WIP) relates to ongoing factory upgrades at East African Cables Limited and Tanelec Limited. It also includes factory machines acquired in Cableries du Congo but not yet installed and commissioned for use.

Revaluation

The buildings, plant and machinery of East African Cables Limited and its subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2015 by Lloyd Masika Limited, a firm of independent professional valuers on the basis of open market value for existing use. The increase in net carrying value as a result of the revaluation was dealt with through other comprehensive income.

Land and buildings of AEA Limited were professionally valued by an independent professional valuer, Lloyd Masika Limited, on 31 December 2015 in order to reflect the current market valuation in the books of account. The resulting surplus was credited to revaluation reserve.

The property, plant and equipment of a subsidiary, Tanelec Limited – Tanzania were revalued in 2013 by Lloyd Jones Limited, a firm of professional valuers on the basis of depreciated replacement cost.

The land and property, plant and equipment of one of the subsidiaries, Kewberg Cables & Braids Proprietary Limited were revalued on 31 December 2014 and 13 October 2011, respectively, by an independent valuer, Chris van Rooyen, a professional valuer of Chris van Rooyen Property Valuers CC. The property valuation was performed using the income capitalisation method assuming (a) a capitalisation rate of between 10.50% and 11% and (b) market related rentals. The plant and machinery valuation was performed using the replacement value approach assuming (a) A willing seller and a willing buyer exists, (b) the equipment will be freely exposed to the market, (c) a reasonable time would be allowed for the sale at a static price and (d) all values as indicated are net of removal costs, to determine the current value.

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

If the leasehold buildings, plant and machinery were stated on the historical cost basis, the amounts would be as follows:

Group	Leasehold land and buildings KShs 000	Plant and machinery KShs 000	Total KShs 000
At 31 December 2015:			
Cost	974,286	1,836,517	2,810,803
Accumulated depreciation	(121,761)	(1,079,316)	(1,201,077)
Net carrying value	**852,525**	**757,201**	**1,609,726**
At 31 December 2014:			
Cost	1,163,834	1,608,878	2,772,712
Accumulated depreciation	(128,247)	(933,073)	(1,061,320)
Net carrying value	**1,035,586**	**675,805**	**1,711,392**

Security

At 31 December 2015, properties of subsidiaries have been charged to secured banking facilities per Note 17.

10. INVESTMENT PROPERTY

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Valuation				
At 1 January	348,298	282,868	-	-
Fair value changes	40,000	71,267	-	-
Exchange differences	(26,046)	(5,837)	-	-
At 31 December	**362,252**	**348,298**	**-**	**-**

Revaluation

The investment properties of parent company and its subsidiary, East African Cables Limited and its subsidiary East African Cables (Tanzania) Limited, were revalued in December 2015 by Lloyd Masika Limited, a firm of independent professional valuers on the basis of open market value for existing use. The open market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The resulting fair value change is dealt with through profit or loss.

The properties are leased on a renewable annual lease.

10. INVESTMENT PROPERTY (Continued)

Measurement of fair values

The fair values of investment property are categorised as Level 3.

(i) Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment Property	***Market approach:*** The valuation model uses prices and other relevant information generated by market transactions involving identical or similar assets. The fair value is determined as the price that would be paid to sell the land in an orderly transaction to market participants.	1. Property prices in the locality. 2. Infrastructure developments	The estimated fair values would increase/ (decrease); 1. If property prices near the location of the property were higher/ (lower). 2. With improvements/ (deterioration) in infrastructure development.

(ii) Level 3 fair values

Reconciliation of level 3 fair values

The following analysis shows reconciliation from the opening balances to the closing balances for level 3 fair values.

	2015 KShs'000	2014 KShs'000
Balances at 1 January	348,298	282,868
Net gains in fair value	13,954	65,430
Balances at 31 December	**362,252**	**348,298**

11. PREPAID OPERATING LEASE RENTALS

Group	**2015 KShs'000**	**2014 KShs'000**
At 1 January	432,406	446,703
Transfer from property and equipment (Note 9)	191,722	-
Amortisation for the year	(15,379)	(4,609)
Revaluation surplus	829,370	-
Exchange differences	(29,087)	(9,688)
At 31 December	**1,409,032**	**432,406**

If the prepaid operating rentals were stated on the historical cost basis, the amounts would be as follows:

Group	**2015 KShs'000**	**2014 KShs'000**
Carrying value of leasehold land at 1 January	432,406	446,703
Transfer from Property, plant and equipment (Note 9)	191,722	-
Amortisation for the year	(15,379)	(4,609)
Exchange adjustment	(29,087)	(9,688)
Balance at 31 December	**579,662**	**432,406**

Notes to the Consolidated Financial Statements

11. PREPAID OPERATING LEASE RENTALS (Continued)

Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Prepaid operating leases	***Market approach:*** The valuation model uses prices and other relevant information generated by market transactions involving identical or similar assets. The fair value is determined as the price that would be paid to sell the land in an orderly transaction to market participants.	1. Property prices in the locality. 2. Infrastructure developments	The estimated fair values would increase/ (decrease); 1. If property prices near the location of the property were higher/ (lower). 2. With improvements/ (deterioration) in infrastructure development.

12. INTANGIBLE ASSETS

(a) Group

2015:	**Software KShs '000**	**Goodwill KShs '000**	**Brand KShs '000**	**Total KShs '000**
Cost				
At 1 January	70,226	2,520,260	35,036	2,625,522
Additions	6,280	-	-	6,280
Transfer from PPE (Note 9)	9,473	-	-	9,473
Exchange differences	(1,228)	310,204	(5,451)	303,525
At 31 December	84,751	2,830,464	29,585	2,944,800
Amortisation				
At 1 January	51,369	-	35,036	86,405
Amortisation	13,833	-	-	13,833
Exchange differences	(1,332)	-	(5,451)	(6,783)
At 31 December	63,870	-	29,585	93,455
Carrying value At 31 December	**20,881**	**2,830,464**	**-**	**2,851,345**
2014:				
Cost				
At 1 January	37,017	2,402,073	57,802	2,496,892
Additions	3,252	3,114	-	6,366
Reclassification (Note 9)	28,877	-	-	28,877
Impairment loss	-	-	(28,729)	(28,729)
Exchange differences	1,080	115,073	5,963	122,116
At 31 December	70,226	2,520,260	35,036	2,625,522
Amortisation				
At 1 January	15,054	-	23,974	39,028
Amortisation	5,562	-	3,318	8,880
Reclassification (Note 9)	19,021	-	-	19,021
Exchange differences	11,732	-	7,744	19,476
At 31 December	51,369	-	35,036	86,405
Carrying value At 31 December	**18,857**	**2,520,260**	**-**	**2,539,117**

12. INTANGIBLE ASSETS (Continued)

Goodwill comprises of:	2015 KShs '000	2014 KShs '000
Civicon Africa Group Limited	2,778,295	2,463,323
Tanelec Limited	38,252	42,292
TransCentury Holdings Pty Limited	13,917	14,645
	2,830,464	**2,520,260**

(b) Company – Software	2015 KShs '000	2014 KShs '000
Cost		
At 1 January and 31 December	337	337
Amortisation		
At 1 January and 31 December	337	337
Carrying value at 31 December	**-**	**-**

(c) Goodwill on acquisition of TransCentury Holdings Pty Limited

The goodwill recognised represents the excess of the business combination over the acquired business' fair value of the identifiable assets and liabilities.

The business was acquired at 7 September 2007 and the fair values determined at that date were relied upon to support the carrying value of the goodwill recognised due to the proximity of the year end to the acquisition date. The carrying amount of the goodwill is reviewed annually on the basis of forecast profits of the cash generating assets and forecast sales of the products.

(d) Goodwill on acquisition of Civicon Group and Tanelec Zambia Limited (formerly Pende Group)

The goodwill recognised represents the excess of the business combination over the acquired business' fair value of the identifiable assets and liabilities. The businesses were acquired on 30 September 2011 and 31 May 2011 for Civicon Group and Pende Group respectively and the fair values determined at that date were relied upon to support the carrying value of the goodwill recognised due to the proximity of the year end to the acquisition date. The carrying amount of the goodwill is reviewed annually on the basis of forecast profits of the cash generating assets and forecast sales of the products.

(e) Brand

In accordance with IFRS 3 – Business Combinations, an impairment assessment on the brand was carried out.

13. INVESTMENTS

(a) Quoted shares	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Movement during the year:				
At 1 January	301	316	301	316
Fair value loss in the year	(62)	(15)	(62)	(15)
At 31 December	**239**	**301**	**239**	**301**
Comprising:				
Cost	18,006	18,006	18,006	18,006
Cumulative fair value change	(17,767)	(17,705)	(17,767)	(17,705)
	239	**301**	**239**	**301**
(b) Unquoted shares				
RVR Investments (PTY) Limited (RVR) – Registered in Mauritius:				
Movement during the year:				
Opening balance	-	4,793,826	-	-
Additional investment		-		-
Proceeds from disposal	-	(3,758,811)	-	-
Fair value loss	-	(1,035,015)	-	-
Closing balance	**-**	**-**	**-**	**-**
Development Bank of Kenya Limited:				
Cost	78,689	78,689	78,689	78,689
Cumulative fair value gain	349,752	353,495	349,752	353,495
	428,441	432,184	428,441	432,184
Mwangaza Limited:				
Cost	101,764	101,764	-	-
Forex exchange	18,940	5,405	-	-
Cumulative fair value loss	(12,942)	-	-	-
	107,762	107,169	-	-
	536,203	**539,353**	**428,441**	**432,184**

Notes to the Consolidated Financial Statements

13. INVESTMENTS (Continued)

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
(c) Investment in subsidiaries – Fair value				
Cable Holdings (Kenya) Limited 100% (2014 – 94.8113%):				
Cost	-	-	460,232	460,232
Cumulative fair value gain	-	-	1,950,272	2,919,115
	-	-	2,410,504	3,379,347
AEA (formerly Avery East Africa) Limited 94.4058% (2014 – 94.4058%):				
Cost	-	-	49,853	49,853
Cumulative fair value gain	-	-	621,278	511,502
	-	-	671,131	561,355
Tanelec Limited 70% (2014 – 70%):				
Cost	-	-	78,720	78,720
Cumulative fair value gain	-	-	449,536	638,011
	-	-	528,256	716,731
TransCentury Holdings Pty Limited: 100% (2014 – 100%):				
Cost	-	-	122,167	122,167
Cumulative fair value gain	-	-	738,725	772,662
	-	-	860,892	894,829
Crystal Limited 100% (2014 – 100%):				
Cost	-	-	52	52
Cumulative fair value gain	-	-	-	-
	-	-	52	52
TransCentury Mauritius Holdings Limited 100% (2014 – 100%):				
Cost	-	-	973,103	973,103
Additions during the year	-	-	712,087	188,551
Cumulative fair value gain	-	-	2,823,270	2,668,702
	-	-	4,508,460	3,830,356
Total investment in subsidiaries	**-**	**-**	**8,979,295**	**9,382,670**
Movement during the year:				
At 1 January	-	-	9,382,670	10,727,600
Additional investment	-	-	712,087	188,551
Fair value gain/(loss) in the year	-	-	(1,115,462)	(1,533,481)
At 31 December	**-**	**-**	**8,979,295**	**9,382,670**
Comprising of:				
Cost	-	-	2,396,214	1,684,127
Cumulative fair value gain	-	-	6,583,081	7,698,543
Total investment in subsidiaries	**-**	**-**	**8,979,295**	**9,382,670**

Notes to the Consolidated Financial Statements

13. INVESTMENTS (Continued)

(c) Investment in subsidiaries – Fair value (continued)

Fair value of investment in subsidiaries is determined based on the group's fair value policy per Note 2(e).

In 2015, the company acquired an additional 16% shareholding in Civicon Africa Group Limited a company incorporated in Mauritius. The additional investment increased the Company's shareholding to 78% (2014 – 62%).

In the year 2005, the company acquired 94.4058% shareholding in AEA Limited.

In year 2007, the company acquired 70% shareholding in Tanelec Limited. The company holds 100% shareholding in Crystal Limited which was acquired in 2008.

In 2007, the Company acquired 100% shareholding in TransCentury Holdings Pty Limited, a company incorporated in South Africa.

The company holds 100% shareholding in TransCentury Mauritius Holdings, a company incorporated in Mauritius. The company was set up in 2009.

The company holds 100% shareholding in Cable Holdings (Kenya) Limited.

13. INVESTMENTS (Continued)

(c) Investments in subsidiaries – Fair value (continued)

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial assets measured at fair value at 31 December 2015 and 31 December 2014

Fair value hierarchy	Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Level 2	Investment in subsidiaries	TransCentury Limited has investments in the following subsidiaries: • Cable Holdings (K) Ltd – Valued using the Net assets method.	Fair values of net assets in the balance sheet	• Increase/(decrease) in fair value of net assets will result to an increase/decrease in the fair value of the investment.
		• AEA (formerly Avery East Africa) Limited – Valued using Discounted Cash Flow (DCF) method	Weighted Average Cost of Capital (WACC) of 16.3%.	• Increase/(decrease) in WACC results in a decrease/increase in the fair value of the investment.
		• Tanelec Limited – Valued using a blended average of DCF method, Enterprise Value (EV) / Earnings Before Interest, Tax, Depreciation and Armotisation (EBITDA) multiple and the EV/ Revenue multiple.	Weighted Average Cost of Capital (WACC) of 15%. Marketability discount of 15% EV/Revenue multiples of 1.4x.	• Increase/(decrease) in WACC results in a (decrease)/ increase in the fair value of the investment. • Increase/(decrease) in marketability discount results in a (decrease)/increase in the fair value of the investment. • Increase/(decrease) in EV/ Revenue multiple results in an increase/(decrease) in the fair value of the investment.
		• TransCentury Holdings Pty Ltd – Valued using a blended average of DCF method and the EV/ Revenue multiple	Weighted Average Cost of Capital (WACC) of 11.6%. Marketability discount of 10% EV/Revenue multiples of 1.1x.	• Increase/(decrease) in WACC results in a decrease/increase in the fair value of the investment. • Increase/(decrease) in marketability discount results in a (decrease)/increase in the fair value of the investment. • Increase/(decrease) in EV/ Revenue multiple results in a increase/(decrease) in the fair value of the investment.
		• TransCentury Mauritius Holdings - Valued using the Net assets method	Fair values of net assets in the balance sheet	• Increase/(decrease) in fair value of net assets will result to an increase/(decrease) in the fair value of the investment.

13. **INVESTMENTS (Continued)**

(d) Non-controlling Interest (NCI)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

31 December 2015:

In KShs'000	Tanelec Ltd	EAC Ltd	AEA (formerly Avery East Africa) Ltd	TC Mauritius Holdings Ltd	Total
NCI percentage	**30%**	**31.6%**	**6%**	**22%***	
Non-current assets	939,377	5,439,068	121,993	5,604,054	
Current assets	844,165	2,929,860	504,927	5,230,072	
Non-current liabilities	(143,462)	(2,079,046)	-	(440,913)	
Current liabilities	(1,302,514)	(3,139,897)	(494,508)	(9,688,977)	
Net assets including underlying NCI	**337,564**	**3,149,985**	**132,412**	**704,236**	
Underlying NCI	**(79,085)**	**(690,821)**	**-**	**(559,599)**	
Net assets excluding underlying NCI	**416,649**	**2,459,164**	**132,412**	**144,637**	
Carrying amount of NCI	**45,910**	**1,468,561**	**7,407**	**559,599**	**2,081,477**
Revenue	551,779	3,724,212	523,773	6,583,707	
Loss	(310,604)	(741,204)	(21,881)	(509,952)	
OCI	51,428	1,002,154	15,151	37,431	
Total comprehensive income	**(259,176)**	**260,950**	**(6,730)**	**(472,521)**	
(Loss) / profit allocated to NCI	(129,861)	(358,297)	(1,223)	55,030	**(434,351)**
OCI allocated to NCI	15,429	509,006	847	-	**525,282**
Cash flows from operating activities	(151,105)	145,067	855	933,184	
Cash flows from investment activities	(14,354)	(202,212)	(205)	(1,645,604)	
Cash flows from financing activities	40,522	261,590	-	539,883	
Net increase (decrease) in cash and cash equivalents	**(124,937)**	**204,445**	**650**	**(172,537)**	

* Underlying non-controlling interest at Civicon Africa Group Limited

13. **INVESTMENTS (Continued)**

(d) Non-controlling Interest (NCI) (continued)

31 December 2014:

In KShs'000	**Tanelec Ltd**	**EAC Ltd**	**AEA (formerly Avery East Africa) Ltd**	**TC Mauritius Holdings Ltd**	**Intra-group eliminations**	**Total**
NCI percentage	**30%**	**31.6%**	**6%**	**38%***		
Non-current assets	962,618	4,042,701	106,143	1,692,090		
Current assets	893,993	3,827,420	253,916	2,799,457		
Non-current liabilities	(304,953)	(1,503,932)	-	(130,888)		
Current liabilities	(977,674)	(3,274,315)	(221,261)	(1,869,738)		
Net assets excluding Underlying NCI	**573,984**	**3,091,874**	**138,798**	**2,490,921**		
Underlying NCI	**49,443**	**(676,272)**	**-**	**2,226**		
Net assets including underlying NCI	**623,427**	**2,415,602**	**138,798**	**2,493,147**		
Net asssets attributteable to NCI	**137,585**	**1,440,236**	**7,765**	**944,324**	**6,093****	**2,536,003**
Revenue	957,972	5,098,417	315,493	2,802,729		
(Loss) / profit	(120,046)	341,147	(36,232)	(16,366)		
OCI	6,127	(12,965)	-	142,424		
Total comprehensive income	**(113,919)**	**328,182**	**(36,232)**	**126,058**		
(Loss) / profit allocated to NCI	(45,947)	140,019	(2,027)	(7,298)	-	**84,748**
OCI allocated to NCI	(3,376)	4,100	-	-	-	**724**
Cash flows from operating activities	48,665	474,480	(53,543)	344,643		
Cash flows from investment activities	(81,674)	966,042	(7,972)	(114,325)		
Cash flows from financing activities	(10,386)	260,175	58,757	(114,763)		
Net increase (decrease) in cash and cash equivalents	**(43,395)**	**1,700,697**	**(2,758)**	**115,555**		

* Underlying non-controlling interest at Civicon Africa Group Limited

** Relates to Cable Holdings Kenya after full acquisition during the year

13. INVESTMENTS (Continued)

(e) Acquisition of NCI

In 2015, the Group acquired an additional 16% interst in Civicon Africa Group Limited for KShs 712 million in cash, increasing its ownership from 62% to 78%. The Group recognised a decrease in NCI of KShs 505 million, a decrease in retained earnings of KShs 213 million and a decrease in translation reserve of KShs 6 million. The impact of the change is as below:

	2015 KShs '000
Amount of NCI acquired	505,429
Consideration paid to NCI	(712,087)
A decrease in equity attributable to owners of the Group	**(206,658)**

14. LOANS TO SUBSIDIARIES

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Payable after 12 months:				
TransCentury Holdings Proprietary Limited				
- South Africa	-	-	375,237	362,146
East Africa Cables Limited	-	-	358,090	326,152
Tanelec Limited	-	-	74,688	29,897
	-	**-**	**808,015**	**718,195**
Movement during the year				
At 1 January	-	-	718,195	500,197
Received during the year	-	-	99,280	347,484
Repaid during the year	-	-	(9,460)	(129,486)
At 31 December	**-**	**-**	**808,015**	**718,195**

Tanelec Limited

In 2011, TransCentury Limited advanced USD 330,000 to Tanelec Limited. The facility was to be utilised to fund the working capital needs of the business. Interest on the loan is charged at a rate of 7.06%. In March 2015, TransCentury Limited advanced USD 400,000 to Tanelec Limited. The facility was to be utilised to fund the working capital needs of the business. Interest on the loan is charged at a rate of 9%.

East African Cables Limited

TransCentury Limited advanced USD 4,000,000 to East African Cables Limited in April 2014. The Facility was to be utilised to fund the working capital needs of the business. Interest on the loan is to be charged at a rate of 9% at the end of every three (3) months.

Kewberg Cables & Braids Proprietary Limited

In May 2011 and June 2012, TransCentury Limited advanced USD 300,000 and USD 130,000 respectively to Kewberg Cables & Braids Proprietary Limited. The facilities were to be utilised solely to finance the working capital requirements. The USD 300,000 was interest free and the USD 130,000 facility is charged at a rate of 8.5%.

In September 2012 and October 2012 TransCentury Limited advanced ZAR 910,000 and ZAR 12,502,503 to Kewberg Cables & Braids Proprietary Limited. The facilities were to be utilised solely to finance the working capital and capacity expansion requirements. Interest on both loans is charged at a rate of 8.5% semi-annually.

In April, May, June and July 2015, TransCentury Limited advanced loan amounting to USD 200,000, USD 75,000, USD 75,000 and USD 220, 000 respectively to Kewberg Cables & Braids Proprietary Limited. The facility was to be utilised solely to finance the working capital and capacity expansion requirements. Interest on the loan is charged at a rate of 3.5%.

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15. INVENTORIES

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Raw materials	591,993	679,200	-	-
Finished goods	505,802	447,753	-	-
Work in progress	212,804	222,104	-	-
Goods in transit	53,961	10,772	-	-
Spares and lubricants	190,191	159,184	-	-
Machines	196,943	119,164	-	-
Consumables	162,893	237,625	-	-
Containers	3,876	-	-	-
Provision for obsolescence and slow moving stocks	(18,700)	(15,794)	-	-
	1,899,763	**1,860,008**	**-**	**-**

In 2015, inventories of KShs 5,142,574,000 (2014 - KShs 5,893,604,000) were recognised as an expense during the year and included in cost of sales.

16. TRADE AND OTHER RECEIVABLES

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Trade receivables	4,441,578	5,409,028	-	-
Bad debts provision	(612,466)	(240,890)	-	-
	3,829,112	**5,168,138**	**-**	**-**
Sundry receivables and prepayments	2,562,512	716,896	148,349	10,421
Staff receivables	153	1,554	153	1,554
Due from related parties (Note 27(h))	-	-	769,173	1,062,875
	6,391,777	**5,886,588**	**917,675**	**1,074,850**

17. CASH AND CASH EQUIVALENTS

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Cash and bank balances	235,363	293,263	7,713	9,775
Bank overdraft	(638,074)	(748,023)	-	-
Total cash and cash equivalents	**(402,711)**	**(454,760)**	**7,713**	**9,775**

Bank overdraft facilities

The Group has entered into facilities with various banks which are secured by pledge over various marketable listed stock exchange shares including East African Cables Limited shares equivalent to KShs 2.05 billion (2014 – KShs 2.35 billion).

A subsidiary of TransCentury Limited, East African Cables Limited, has entered into a facility with the banks and is secured over certain land and buildings for KShs 1,370 million (2014 - KShs 1,120 million) and debentures over all assets of the company for KShs 2.9 billion (2014 - KShs 2.9 billion).

The bank facility comprises overdraft, term loan, letters of credit, bonds/guarantee and forex dealing.

Notes to the Consolidated Financial Statements

18. SHARE CAPITAL

	2015 KShs '000	2014 KShs '000
Group and Company		
Authorised		
At 1 January	300,000	300,000
Authorized during the year: 600,000,000 shares	300,000	-
1,200,000,000 (2014 - 600,000,000) ordinary shares of KShs 0.50 each	**600,000**	**300,000**
Issued and fully paid		
At 1 January 273,950,284 (2014 - 273,950,284)	140,142	136,975
Issued during the year: 6,334,192 shares	-	3,167
At 31 December 280,284,476 (2014 - 280,284,476) ordinary shares of KShs 0.50 each	**140,142**	**140,142**

The shareholders are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All the ordinary shares rank equally with regards to the Company's residual assets.

19. SHARE PREMIUM

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
At 1 January	565,101	379,717	565,101	379,717
Issued during the year	-	185,384	-	185,384
At 31 December	**565,101**	**565,101**	**565,101**	**565,101**

20. RESERVES

(a) Revenue reserves

Revenue reserves relate to accumulated profits over the years.

(b) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(c) Available for sale reserve

The available for sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised.

(d) Revaluation reserve

The revaluation reserve relates to the revaluation gain/losses on leasehold land, property, plant and equipment.

Notes to the Consolidated Financial Statements

21. PROPOSED DIVIDENDS AND EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2015 was based on the loss attributable to ordinary shareholders of KShs 1,988,223,000 (2014 – loss of KShs 2,362,676,000) and a weighted average number of ordinary shares outstanding during the year of 280,284,476 (2014 – 277,117,380).

	2015 KShs '000	2014 KShs '000
Loss attributable to ordinary shareholders	**(1,988,223)**	**(2,362,677)**
Basic and diluted earnings per share (KShs)	**(7.09)**	**(8.53)**

Diluted earnings per share is calculated by adjusting the earnings and weighted average number of ordinary shares outstanding during the year for the effects of dilutive options and other dilutive potential ordinary shares.

The calculation of diluted earnings per share at 31 December 2015 was based on the loss attributable to ordinary shareholders of KShs 1,988,223,000 (2014 - loss of KShs 2,362,677,000) and a weighted average number of ordinary shares outstanding after adjustment for all the effects of all dilutive potential ordinary shares of 280, 284,476 (2014 – 373,952,841).

(b) Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares as at 1 January	277,117,380	273,950,284
Weighted effect of shares issued in July 2014	3,167,096	3,167,096
Weighted average number of ordinary shares at 31 December	**280,284,476**	**277,117,380**

(c) Proposed dividends

	2015 KShs '000	2014 KShs '000
Balance brought forward	-	109,580
Paid or transferred to liabilities in the year	-	(109,580)
	-	-

Proposed dividends are accounted for as a separate component of equity until they have been ratified at a General Meeting. During the year, the directors do not recommend any dividends (2014 – Nil).

22. CONVERTIBLE BOND

In 2011 the Group issued a United States Dollar (USD) denominated convertible bond through one of its subsidiaries, TC Mauritius Holdings Limited amounting to USD 60,270,000. The total amount of the convertible bond issued as at 31 December 2015 is USD 56,835,000 since some of the bond holders converted their portion of the bond to ordinary shares during the year ended 31 December 2011 amounting to USD 3,435,000. The movement in the bond during the year is as follows:

	2015 KShs '000	2014 KShs '000
At 1 January	5,386,973	5,132,002
Interest accrued	335,070	308,948
Interest paid	(348,891)	(294,774)
Forex losses	710,318	240,797
At 31 December	**6,083,468**	**5,386,973**
Presented in the statement of financial position as follows:		
Current – (Liability)	6,083,468	-
Non-current – (Equity)	-	5,386,973
At 31 December	**6,083,468**	**5,386,973**

The bondholders did not exercise their conversion rights. As a result, the bond was reclassified to current liabilities as at 31 December 2015.

The convertible bond above has the following terms and conditions:

- Term of bond: 5 year, maturing on 25 March 2016;
- Interest rate: 6% per annum cash coupon paid annually and 6% per annum payment in kind to be paid at the end of 5th year (25 March 2016) should the Bond not be converted.
- The company has reserved 150,929,616 ordinary shares to cater for conversion of the bond into shares, of which 6,912,194 was issued on conversion during the year ended 31 December 2011.
- The convertible bond is converted at a fixed conversion foreign exchange rate of KShs 80.49135 to USD 1.00.

As disclosed under Note 33, the group signed an agreement with the bondholders on 24 March 2016 to effectively amend the above terms and conditions of the bond as follows:

- The quantum of the bond liability was reduced from the total USD 80 million expected pay out at 25 March 2016 to USD 40 million as the final and full settlement of the bond;
- The repayment period was extended by six (6) months to 25 September 2016; and
- The first USD 20 million of the revised loan balance of USD 40 million shall be paid by 25 September 2016, and the balance of USD 20 million, if not paid by 25 September 2016, shall be converted to unsecured loan repayable over three years period.

23. **DEFERRED TAX (ASSET)/ LIABILITY**

(a) **Deferred tax asset**

(i) **Group**

	At 1 January KShs'000	Reclassification (Note 23(b)) KShs'000	Recognised through profit or loss KShs'000	Prior year (over)/under provision KShs'000	Recognised in equity KShs'000	Exchange rate Difference KShs'000	At 31 December KShs'000
2015:							
Property, plant and equipment	(12,469)	(51,802)	(377)	-	(6,494)	1,310	(69,832)
Other provisions and accruals	6,488	119	43,766	108	-	(775)	49,706
Tax losses	11,973	34,809	64,264	16,103	-	(17,678)	109,471
Unrealised exchange losses	-	(3,334)	23,117	-	-	110	19,393
	5,992	**(20,708)**	**130,770**	**16,211**	**(6,494)**	**(17,033)**	**108,738**
2014:							
Property, plant and equipment	944	(13,489)	76	-	-	-	(12,469)
Other provisions and accruals	-	3,807	2,098	583	-	-	6,488
Tax losses	-	-	11,973	-	-	-	11,973
	944	**(9,682)**	**14,147**	**583**	**-**	**-**	**5,992**

(ii) **Company**

	At 1 January KShs'000	Reclassification (Note 23(b)) KShs'000	Recognised through profit or loss KShs'000	Prior year (over)/under provision KShs'000	Recognised in equity KShs'000	Exchange rate Difference KShs'000	At 31 December KShs'000
2015:							
Property, plant and equipment	**907**	**-**	**573**	**-**	**-**	**-**	**1,480**
2014:							
Property, plant and equipment	**944**	**-**	**(37)**	**-**	**-**	**-**	**907**

23. DEFERRED TAX ASSET/ (LIABILITY) (Continued)

(b) Deferred tax liability

(i) Group

	At 1 January KShs '000	Reclassification (Note 23(a)(i)) KShs '000	Recognised through profit or loss KShs '000	Prior year (over)/under provision KShs '000	Recognised in other comprehensive income (Note (8)(a)(ii)) KShs '000	Exchange rate Difference KShs '000	At 31 December KShs '000
2015:							
Staff gratuity liability	(6,613)	-	(583)	-	-	254	(6,942)
Other provisions and accruals	(102,391)	119	(98,330)	(2,109)	-	8,130	(194,581)
Unrealised exchange gain	(25,136)	(3,835)	(25,097)	(466)	-	8,408	(46,126)
Tax losses	(116,947)	34,809	(256,219)	(685)	-	3,929	(335,113)
Property, plant and equipment	1,213,242	(51,801)	(29,170)	(64,721)	453,890	(59,205)	1,462,235
	962,155	(20,708)	(409,399)	(67,981)	453,890	(38,484)	879,473
2014:							
Staff gratuity liability	(5,419)	-	(1,252)	-	-	58	(6,613)
Other provisions and accruals	(153,565)	3,807	48,382	-	-	(1,015)	(102,391)
Unrealised exchange gain	(2,052)	-	(18,229)	-	-	(4,855)	(25,136)
Tax losses	(68,467)	-	(52,610)	-	-	4,130	(116,947)
Property, plant and equipment	1,113,921	(13,489)	145,626	-	(17,715)	(15,101)	1,213,242
	884,418	(9,682)	121,917	-	(17,715)	(16,783)	962,155

(ii) Company

	At 1 January KShs '000	Reclassification (Note 23(a)(i)) KShs '000	Recognised through profit or loss KShs '000	Prior year (over)/under provision KShs '000	Recognised in other comprehensive income (Note (8)(a)(ii)) KShs '000	Exchange rate Difference KShs '000	At 31 December KShs '000
2015:							
Property, plant and equipment	907	-	573	-	-	-	1,480
2014:							
Property, plant and equipment	944	-	(37)	-	-	-	907

23. DEFERRED TAX ASSET/ (LIABILITY) (Continued)

(c) Deferred tax movement through profit or loss is as follows:

Group	**2015 KShs '000**	**2014 KShs '000**
Current year		
Deferred tax asset	(130,770)	(14,147)
Deferred tax liability	(409,399)	121,917
	(540,169)	**107,770**
Prior year under provision		
Deferred tax asset	(16,211)	(583)
Deferred tax liability	(67,981)	-
	(84,192)	**(583)**

24. STAFF GRATUITY

Group	**2015 KShs '000**	**2014 KShs '000**
Balance at 1 January	59,148	43,673
Payments made in the year	(27,891)	(2,194)
Accrual for the year	14,450	17,670
Balance at 31 December	**45,707**	**59,148**

Unionisable staff for East African Cables Limited, Tanelec Limited and Civicon Limited are eligible to gratuity upon retirement based on the terms stipulated in the respective Collective Bargaining Agreements. The gratuity is based on 16 days pay if an employee has served 1-5years, 20 days pay if an employee has served 6-10 years and 23 days pay if an employee has served 11 years and above. Gratuity is computed at current salary. A provision is made in the financial statements for the estimated liability of such gratuity payable.

25. LOANS PAYABLE

	Consolidated in 2015 KShs '000	**Consolidated 2014 KShs '000**	**Company 2015 KShs '000**	**Company 2014 KShs '000**
Bank loans - Long term	3,511,955	1,797,704	948,233	847,907
- Short term	2,827,692	1,725,750	1,204,265	-
Loans from subsidiaries (Note 27 (g))	-	-	576,073	576,073
	6,339,647	**3,523,454**	**2,278,571**	**1,423,980**
Payable after 12 months	3,511,955	1,797,704	948,233	847,907
Payable within 12 months	2,827,692	1,725,750	1,780,338	576,073
	6,339,647	**3,523,454**	**2,278,571**	**1,423,980**
Movement in the loans is as shown below:				
Balance at 1 January	3,523,454	5,620,022	1,423,980	2,964,104
Received during the year	7,043,479	3,736,802	1,576,450	-
Repaid during the year	(4,227,286)	(5,833,370)	(271,859)	(1,540,124)
Balance at 31 December	**6,339,647**	**3,523,454**	**2,728,571**	**1,423,980**

25. LOANS PAYABLE (continued)

The major loans at 31 December 2015 had the following terms:

TransCentury Limited has two banking facilities with Equity Bank (Kenya) Limited, worth USD 20 million and USD 11 million. Both facilities are secured by way of existing corporate guarantees by Cable Holdings (Kenya) Limited and TC Mauritius Holdings Limited for USD 50 million each executed in favour of the Bank, existing charge over the Borrower's shares in East Africa Cables Limited, Avery East Africa Limited and TC Mauritius Holdings Limited each executed in favour of the Bank to cover an aggregate of USD77 Million, existing debenture charge over the TransCentury Limited's assets executed in favour of the Bank to cover an aggregate of USD 77 Million and such other security that the Bank may from time to time deem necessary to secure the TransCentury Limited's obligations hereunder. The applicable interest rate on both loans is 8.5% per annum on reducing balance basis.

A subsidiary of East African Cables Limited, East African Cables (Tanzania) Limited, has a bank overdraft for working capital management and a short term post-import financing loan with Standard Chartered Bank (Tanzania) Limited. The facility is charged against the leasehold land and moveable assets of the subsidiary.

A subsidiary, Tanelec Limited, has entered into a bank loan facility with Standard Chartered bank (Tanzania) Limited effective July 2013 amounting to USD 13.6 million. The facility has an interest rate of 6month LIBOR+5% p.a. subject to a minimum interest of 6%. The facility is secured by first charge over Property located on Plot No. 35 Themi Industrial Area, Arusha City and a corporate guarantee by TransCentury Limited to cover the credit facility.

A subsidiary, AEA Limited, has a bank facility with Chase Bank (Kenya) Limited for KShs 310 million (2014 - KShs 100 million) secured by its leasehold land and building. Interest is charged at 16%.

A subsidiary of Civicon Africa Group Limited, Civicon Kenya Limited, has a working capital facility from Equity Bank. The facility is secured by way of a Corporate guarantee from TransCentury Limited, the ultimate holding company, for USD 47,010,000 (2014 - USD 29,050,000), a first ranking over all asset debenture of USD 47,010,000 (2014 - USD 29,050,000); and a legal charge over the land known as subdivision 2387 (original number 1955 and 2077) Section V, mainland North Mombasa in the amount of USD 5,120,000 (2014 - USD 5,120,000). Interest is charged at a fixed rate of 8.5% (2014 - 7.5%). The subsidiary also has an asset finance facility from Commercial Bank of Africa Limited which is secured by way of joint registration of the motor vehicles/trucks being financed. The interest rate on the loan was at the rate of 8.5% (2014 – 7.5%).

A subsidiary of Civicon DRC Holdings, Civicon Congo S.A.R.L, has a loan facility from Eco Bank S.A.R.L. The loan was disbursed on 1 November 2012 and is payable over a period of 36 months at a rate of 9% p.a. It is secured by free and floating first charge on the financed company's assets.

26. TRADE AND OTHER PAYABLES

	Consolidated 2015 KShs '000	Consolidated 2014 KShs '000	Company 2015 KShs '000	Company 2014 KShs '000
Trade payables	2,650,005	2,152,255	-	-
Sundry creditors	1,623,683	517,020	59,410	84,030
Due from related parties (Note 27(i))	-	-	288,520	1,202,748
	4,273,688	**2,669,275**	**347,930**	**1,286,778**

27. RELATED PARTIES TRANSACTIONS

The following transactions were carried out with related parties:

(a) Directors and executive officers

	2015 KShs'000	2014 KShs'000
Group and Company		
Directors emoluments – Group	42,398	39,216
Company	10,843	11,829
	53,241	**51,045**

(b) Inter-company sales – Group

	2015 KShs'000	2014 KShs'000
From Tanelec Limited to Civicon Limited	720	-
From AEA Limited to Civicon Limited	2,461	2,941
From AEA Limited to East African Cables Limited	1,712	642
From AEA to Tanelec	2,540	-
From East African Cables Limited to Civicon Limited	1,441	1,945
From East African Cables Limited to Kewberg Cables and Braid (Pty) Limited	1,039	-
From Kewberg to Cableries du Congo	-	19,809
	9,913	**25,337**

(c) Interest income - Company

	2015 KShs'000	2014 KShs'000
East African Cables Limited	11,809	17,777
Tanelec Limited	5,291	2,111
Kewberg Cables and Braid (Pty) Limited	11,882	16,309
Crystal Limited	-	795
	28,982	**36,992**

(d) Dividends receivable - Company

	2015 KShs'000	2014 KShs'000
Cable Holdings (Kenya) Limited	**86,536**	**184,285**

(e) Technical fees - Company

	2015 KShs'000	2014 KShs'000
Tanelec Limited – Tanzania	21,418	26,880
Civicon Limited	-	10,149
AEA Limited	16,810	7,809
East African Cables Limited	17,624	1,949
Tanelec Zambia	7,880	-
Cableries Du Congo	7,692	-
Civicon DRC Holdings Limited	107,915	160,805
	179,339	**207,592**

(f) Loans to subsidiaries - Company

	2015 KShs'000	2014 KShs'000
Payable after 12 months:		
TransCentury Holdings (Proprietary) Limited - South Africa	375,237	362,146
East African Cables Limited	358,090	326,152
Tanelec Limited - Tanzania	74,688	29,897
	808,015	**718,195**

27. RELATED PARTIES TRANSACTIONS (Continued)

		2015 KShs'000	2014 KShs'000
(g)	**Loan from subsidiary - Company**		
	Cable Holdings (Kenya) Limited	**576,073**	**576,073**
(h)	**Due from related parties - Company**		
	Cable Holdings (Kenya) Limited	63,033	309,986
	AEA Limited	49,789	44,390
	Chai Bora Limited	-	15,928
	East African Cables Limited	43,166	122,613
	Crystal Limited	27,334	26,605
	TC Holdings Pty Limited	-	1,958
	Tanelec Limited	176,363	138,684
	Kewberg Cables and Braid (Pty) Limited	288,782	122,033
	Cable Holdings Mauritius Limited	4,993	4,422
	TC Railway Holdings Mauritius	3,372	2,986
	Safari Rail Company Limited	2,077	1,840
	Civicon Limited	-	103,119
	Tanelec Zambia Limited	20,401	7,506
	Civicon DRC Holdings Limited	89,863	160,805
		769,173	**1,062,875**
(i)	**Due to related parties - Company**		
	Cableries du Congo	-	6,375
	TC Mauritius Holdings Limited	139,398	1,196,373
	TC Holdings Pty Limited	3,420	-
	Civicon Limited	145,702	-
		288,520	**1,202,748**
(j)	**Key management personnel compensation**		
	Short-term employee benefits	223,409	285,792
	Post-employment benefits	26,424	41,788
		249,833	**327,580**

(k) Key management personnel transactions

Directors control 21.3% of the voting shares of the company. A number of key management personnel or their related parties hold positions in other companies that result in them having control or significant influence over those other companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length transaction.

28. SALE OF INVESTMENT IN RIFT VALLEY RAILWAYS (RVR)

On 31 March 2014, the Group through its wholly owned subsidiary, Safari Rail Company Limited ("Safari Rail"), disposed of its entire 34% shareholding in KU Railways Holdings Limited ("KURH"), the lead investor in Rift Valley Railways ("RVR") to Africa Railways Limited, a core subsidiary of Citadel Capital by exercising a Put Option. As a result, the Group realised USD 43.7m (KShs 3.8bn) from the sale, which saw it recover its entire cash investment in RVR. However, the sale proceeds were below the cumulative fair value of the investment. The financial impact of this transaction is shown below:

	KShs'000 2015	KShs'000 2014
Fair value of investment	-	4,793,826
Less: Proceeds from disposal	-	(3,758,811)
Loss on disposal	**-**	**1,035,015**
Attributed to:		
Cumulative fair value loss at 31 March 2014	-	(1,035,015)
Loss on disposal	**-**	**(1,035,015)**

29. SEGMENT INFORMATION

(a) Basis of segmentation

The Group has three reportable segments which are the strategic business units in the following segments:

- Power;
- Engineering; and
- Transport.

These business units offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations of each reportable segment:

Reportable segment	Operations
Power	Manufacturing of aluminium and copper cables, manufacture of transformers and switchgear
Transport	Rail and road infrastructure and support services
Engineering	Civil, mechanical engineering, cranage & erection and logistic services. Also includes installation of weigh bridges, generators , bearings and sub-stations

For each of the units, the Group Chief Executive Officer reviews internal management reports.

(b) Information about reportable segments

Information regarding the results of each reportable segment is described below. Performance is measured based on each segment profit after tax because management believes that this information is the most relevant in evaluating the results of the respective segment relative to other entities that operate in the same industries.

29. SEGMENT INFORMATION (Continued)

(b) Information about reportable segments (continued)

Year ended 31 December 2015:	Power KShs'000	Engineering KShs'000	Transport KShs'000	Others KShs'000	Intra-group adjustments KShs'000	Total KShs'000
Segment revenue	**4,718,321**	**7,081,819**	**-**	**-**	**(9,913)**	**11,790,227**
Operating profit/(loss)	**(1,045,425)**	**292,663**	**-**	**(294,587)**	**-**	**(1,047,349)**
Finance costs	-	-	-	-	-	(1,908,724)
Income tax expenses	-	-	-	-	-	533,499
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,422,574)**
Attributable to:						
Equity holders	-	-	-	-	-	(1,988,223)
Non-controlling interest	-	-	-	-	-	(434,351)
Other information:						
Segment assets	11,001,336	8,151,734	-	2,664,911	-	21,817,981
Segment liabilities	8,451,824	5,276,723	-	4,543,664	-	18,272,211
Capital expenditure	320,041	589,412	-	-	-	909,453
Depreciation and amortisation	338,249	459,150	-	4,620	-	802,019

29. SEGMENT INFORMATION (Continued)

(b) Information about reportable segments (continued)

Year ended 31 December 2014	**Power KShs'000**	**Engineering KShs'000**	**Transport KShs'000**	**Others KShs'000**	**Intra-group adjustments KShs'000**	**Total KShs'000**
Segment revenue	**6,671,423**	**3,603,507**	**-**	**-**	**(25,337)**	**10,249,593**
Operating profit/(loss)	**301,554**	**(198,730)**	**(1,035,015)**	**(472,406)**	**-**	**(1,404,597)**
Finance costs	-	-	-	-	-	(709,605)
Income tax expenses	-	-	-	-	-	(163,727)
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,277,929)**
Attributable to:						
Equity holders	-	-	-	-	-	(2,362,677)
Non-controlling interest	-	-	-	-	-	84,748
Other information:						
Segment assets	10,746,860	5,931,291	-	2,785,507	-	19,463,658
Segment liabilities	7,630,609	3,266,654	-	(2,915,303)	-	7,981,960
Capital expenditure	1,184,333	148,853	-	7,773	-	1,340,959
Depreciation and amortisation	253,053	407,143	-	19,169	-	679,365

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude tax and certain intra group receivables. Segment liabilities comprise operating liabilities. They exclude tax and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

29. SEGMENT INFORMATION (Continued)

(c) Geographic information

The geographic information below analyses the group's revenue and non-current assets by the group and subsidiaries' country of domicile.

	2015 KShs '000	2014 KShs '000
(i) Revenue		
Kenya	8,773,316	5,936,360
Tanzania	941,379	2,028,841
Uganda	344,921	590,726
Rwanda	1,250	7,456
South Sudan	452,544	229,446
South Africa	410,663	512,972
Mauritius	-	108,613
DR Congo	772,507	685,815
Zambia	93,647	134,669
Other countries	-	14,695
	11,790,227	**10,249,593**
(ii) Non-current assets		
Kenya	7,983,801	4,843,102
Tanzania	2,644,346	2,083,895
Uganda	121,218	145,596
South Sudan	29,310	32,881
South Africa	535,790	632,627
Mauritius	973,103	2,557,791
DR Congo	623,332	177,770
Zambia	193,527	755,333
	13,104,427	**11,228,995**

30. CAPITAL COMMITMENTS

During 2015, the Group entered into a contract to purchase property, plant and equipment for a subsidiary, East African Cables Limited for KShs 250,228,000 (2014 - KShs 227,000,000).

31. OPERATING LEASES

The Group leases a number of office facilities under operating leases. The leases typically run for a period of six years, with an option to renew the lease after that date. Some leases contain escalation clauses that are based on changes in market prices.

At 31 December, the Group's minimum lease payments under operating leases fall due as follows:

Consolidated and Company	**2015 KShs'000**	**2014 KShs'000**
Less than one year	3,071	2,911
Between one and five years	9,213	7,041
More than five years	-	-
	12,284	**9,952**

In 2015, an amount of KShs 7,079,211 (2014 - KShs 3,214,221) was recognized in profit or loss for operating lease payments.

32. CONTINGENCIES

A subsidiary of TransCentury Limited, Cable Holdings (Kenya) Limited, has given a guarantee and indemnity and supported a pledge of its shares in East African Cables Limited to secure borrowings by TransCentury Limited, its parent from Equity Bank Limited. The maximum exposure is KShs 2.05 billion (2014 - KShs 2.35 billion) plus interest, charges and fees thereon.

A sub-subsidiary of TransCentury Limited subsidiary, Civicon Limited, is a defendant in a legal claim filed by a customer, Kivuwatt Limited, related to work undertaken on a project in Rwanda. Kivuwatt Limited and Civicon Limited have made claims and counterclaims respectively that are the subject of an ongoing arbitration process in the International Chamber of Commerce. Based on legal advice received, the directors do not expect the outcome of this case to have a material effect on the financial position of Civicon Limited, and have not disclosed the estimation of the amounts claimed by the customer as this is not yet fully quantified by experts, and the directors do not want to prejudice the position of Civicon Limited in the arbitration process.

The Group also has outstanding guarantees in favour of third parties totalling to KShs 1,833,330,000 (2014 - KShs 1,493,748,000).

33. EVENTS AFTER THE REPORTING PERIOD

On 24 March 2016, the group signed an agreement with the bondholders to amend the terms and conditions of the convertible bond disclosed under Note 22 of these financial statements. The amendments reduced the convertible bond debt payable on 25 March 2016 to USD 40 million as the final and full settlement of the liability. This will result into a reduction of the liability recognised at 31 December 2015 by USD 19.4 million (KShs 1.9 billion).

On 14 March 2016, the Group entered into an agreement with Kuramo Capital, an African focused investment fund to inject USD 20 million (KShs 2 billion) of fresh equity into the business. This investment by the strategic investor will complement other funding options to settle the outstanding convertible bond and fund infrastructure projects. Kuramo Capital being an experienced Sub Saharan Africa focused investor fits in well with the Group's strategy of infrastructure investment in the region and both the Group and Kuramo Capital see great value in the partnership.

On 18 March 2016, the Group also entered into an agreement with Africa Export-Import bank (Afreximbank) with a view to reduce the number of relationships and maintain a few key strategic relationships for all working capital and asset financing requirements of the business across the Sub-Saharan Africa. The process involves restructuring and consolidation of all existing trade finance and term loan facilities into one global facility with Afreximbank amounting to USD 150 million (KShs 15.3 billion) including additional facilities to fund the Group's growth and expansion strategy.

Composition of Net Asset and Fair Value

	31-Dec-15		31-Dec-14	
	Net asset value KShs '000	Fair value KShs '000	Net asset value KShs '000	Fair value KShs '000
Cable Holdings (Kenya) Limited *	2,410,504	2,410,504	3,380,602	3,379,347
AEA Limited (formerly Avery East Africa Limited)	132,413	671,131	131,032	561,355
Tanelec Limited	337,564	528,256	401,789	716,731
TransCentury Holdings Proprietary				
Limited**	(469,763)	860,892	(231,863)	894,829
Crystal Limited	(29,581)	52	(29,883)	52
TC Mauritius Holdings Limited ***	704,235	4,508,460	1,921,589	3,830,356
Total net asset value (NAV)	**3,085,372**	**8,979,295**	**5,573,265**	**9,382,670**
No of shares	**280,284,476**	**280,284,476**	**280,284,476**	**280,284,476**
NAV after tax per share (KShs)	**11.01**	**32.04**	**19.88**	**33.48**

Note

* This is the holding company for TransCentury's 68.37% shareholding in East Africa Cables Limited Group listed on the Nairobi Securities Exchange.

** Holding company for Kewberg Cables & Braids Proprietary Limited based in South Africa.

***This includes the valuation of Civicon Group.

Proxy Form

To: The Company Secretary,
TransCentury Limited
P.O. Box 40111-00100
NAIROBI

I ……………………………………………………………………………..…………………………………………………..…………………

of ……

being a member/members of ………

hereby appoint …………………………………………………………………………...……………………………………………………

of …………………………………………………………………………………………...….……………………………………………………

or failing him ……………………………………………………………………………..……………………………………………………

of ……………………………………………………………………………………………..………………………………………………

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting

Of the Company to be held on 30th June, 2016 ………………………………………..……………………………………………………

And at any adjournment thereof.

Signed/Sealed this …………. Day of ……………………………... 2016

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NOTE: The proxy form should be completed and returned not later than 48 hours before the meeting or any adjournment thereof. In case of a Corporation, the Proxy must be executed under the Common Seal.

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TransCentury
Investing in Africa

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