TransCentury
Impacting Africa

2018 ANNUAL REPORT AND FINANCIAL STATEMENTS


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CONTENTS

Ahidi

Our Promise

OUR 2018-2022 STRATEGIC FOCUS

OUR VISION

Africans impacting African lives through transformative infrastructure.

OUR MISSION

Partnering to invest in infrastructure products, projects and services to deliver superior, sustainable value for all stakeholders.

OUR VALUES

Entrepreneurial
Pioneering
Innovative
Collaborative

THE TC WAY

I am Entrepreneurial
I am Pioneering
I am Innovative
I am Collaborative

HOW WE ACHIEVE THIS

PEOPLE	Deliver through People	Attract, build and retain high performing 'EPIC' talent
STRUCTURES, SYSTEMS & PROCESS	Global best practice internal structures, systems and process	Focused on accountability, integrity and delivery of TC's strategy.
STAKEHOLDERS	Build value for our stakeholders through innovative and transformative investments services	Attract the right investments, capital, customers and clients, talent, and partners.
RETURN	Deliver superior value to all stakeholders through financial sustainability	Achieve financial growth and sustainability, and global best practice in financial reporting

STRATEGY

Who we are

TransCentury PLC ("TC") is a Kenyan headquartered investment Group with a focus on infrastructure.

The company is listed on the Nairobi Securities Exchange and has operations across East, Central and Southern Africa.

TC operates primarily as an active lead investor in businesses that we invest in, adding value through:

- Deploying capital for growth;
- Providing strategic support; and
- Offering an unmatched platform for tapping synergies and accelerating growth to investee companies.

TC also develops and invests in infrastructure projects.

Our business philosophy

TC is an African-focused Group that invests in companies and projects within the infrastructure space. Under-penetration and inefficiencies in infrastructure severely hamper development due to inaccessibility and unreliability leading to prohibitive costs of goods and services. We believe growth in African economies will be greatly enhanced by infrastructure development.

Our investments play a key role in addressing deficiencies in critical infrastructure in the regions we operate in especially in power, transport and water. Being an African business with deep understanding of the local operating environment, we are proud to play our part by investing in:

- Finding solutions to funding challenges for African infrastructure;
- Construction of quality infrastructure;
- Manufacturing and distribution of innovative, fit for local use products that go into infrastructure development;
- World-class management and maintenance solutions for infrastructure to promote longevity and efficient use.

We value collaboration and are continuously creating strong links with technical partners, channel partners and the community to achieve the above.

We aim to impact Africa through transformative infrastructure as we deliver superior and sustainable value to all our stakeholders.

STRATEGY

OUR BUSINESS MODEL

INPUT

A) CAPITAL, WITH;

Operational enhancements
- Strategy
- Governance
- Technical expertise
  - *Advanced financial planning and analysis*
  - *Turn around specialty*
  - *Structuring complex transactions*
  - *Structuring unconventional/ customized funding structures*
- Shared services

TC Platform
- Established set systems and structures
- Synergies
- Strong brands

B) INVESTMENT SERVICES

C) STRATEGIC CONSULTING

MISSION

Partnering to invest in infrastructure products, projects and services to deliver superior, sustainable value to all stakeholders

VISION

African's impacting African lives through transformative infrastructure

RISK MANAGEMENT AND FOCUS

GENERATED AND PRESERVED VALUE

Shareholders
- Dividends
- Improved valuation
- Exits - realizing capital gains.

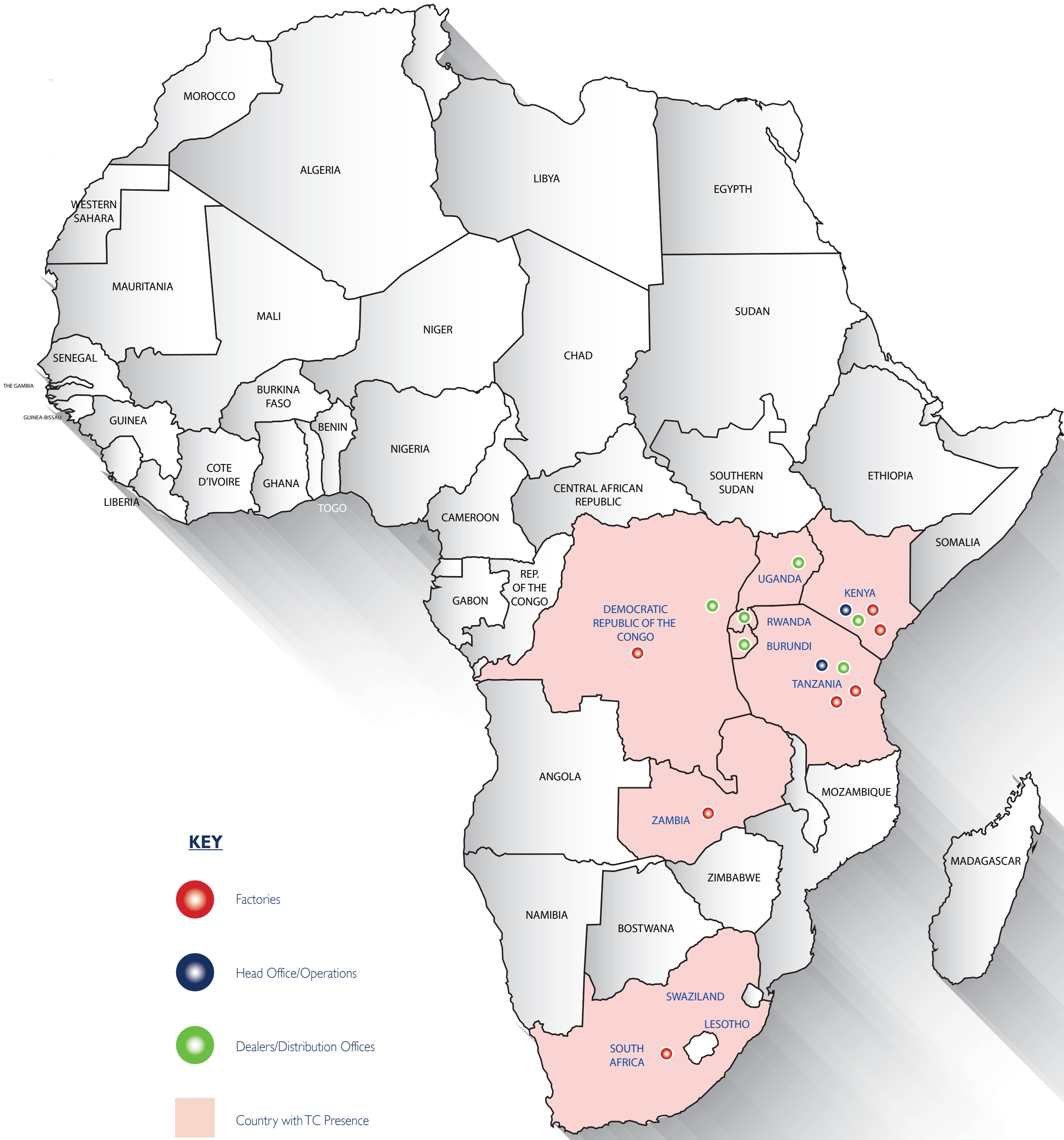
Portfolio units
- Liquidity
- Improved operating environment
- World class systems and structures
- Strategic focus
- Optimal capitalisation

Human Capital
- *Career development*
- *Ideal workplace*

Other Stakeholders
- Innovative products/services
- Improved business perfomance
- Positive impact to community

Innovative products/services: AEA's rapid pothole patching technology

OUR REGIONAL FOOTPRINT



OUR JOURNEY

1997
Incorporation

2004
February 2004 EA Cables (64%)

2005
April 2005 AEA (94%)

2006
December 2006 RVR (34%)
2006 Fulltime management team engaged

2007
August 2007 Kewberg (100%)
September 2007 Tanelec (70%)

2009
April 2009 Shares begin trading over the counter market

2010
December 2010 CDC (100%)

2011
March 2011 Issues first ever listed convertible Eurobond by East Africa entity
June 2011 Pende (80)
July 2011 List on Nairobi Securities Exchange
October 2011 Civicon (62%)

2012
2012 Disposal of Non-Core Assets: CBL & Funds

2013
December 2013 Total Assets reach KSh. 23.8B (all-time high)

2014
2014 RVR exit

2014 - 2015 Civicon Congo (+38%): 2014 & Civicon Africa Group (+16%): 2015

2015

2016
2016 Kuramo Capitals US$ 20m Equity Injection

2017
Strategic Plan (2018-2022) (Reviewed Mission, Vision and Values)

BUSINESS REVIEW

African infrastructure continues to be severely inadequate and significantly lags behind other regions leading to:

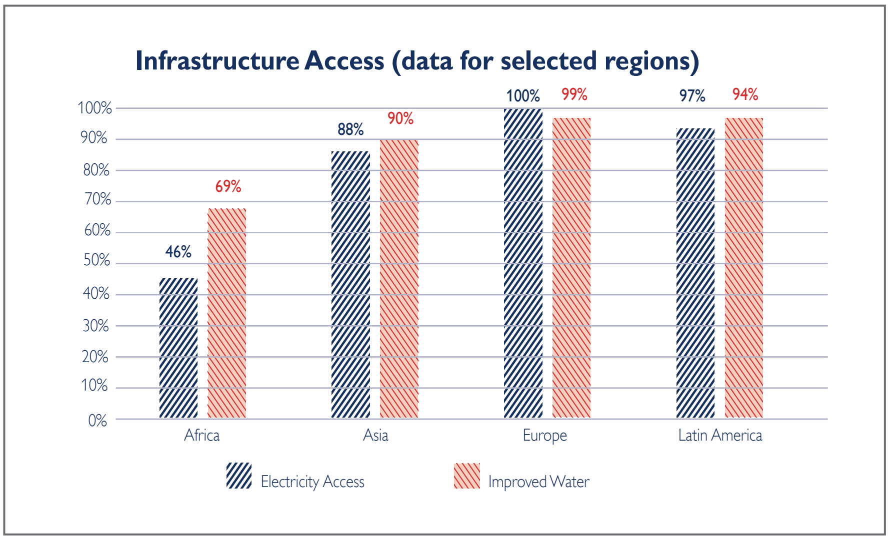
- Poor service being delivered expensively to too few people
- Low productivity and competitiveness

This provides an opportunity to build scalable businesses that targets existing market inefficiencies.

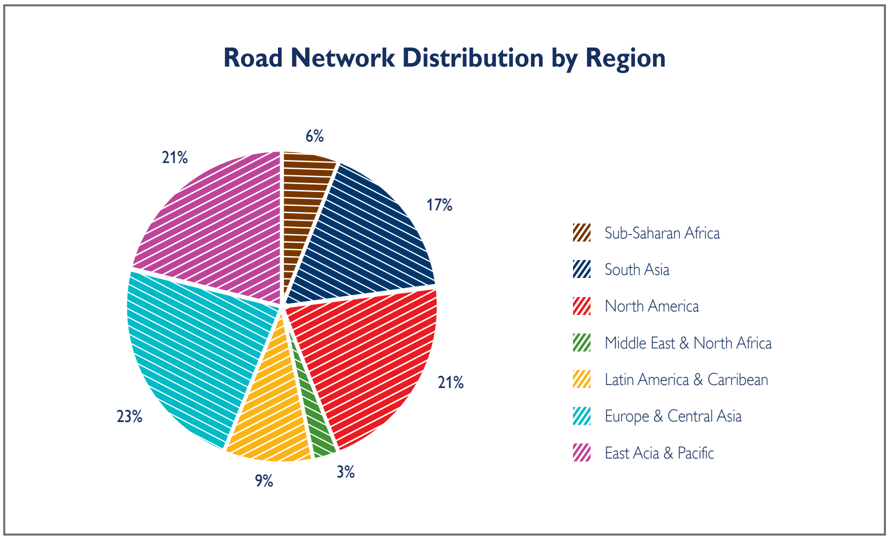
Solving the infrastructure gap

Investment in infrastructure acts as a catalyst for intra-regional trade and industrialization and leads to long-term, sustainable and inclusive economic growth.

To close the infrastructure gap in Africa, AfDB estimates the financing needs to be $130–$170 billion a year. Some African countries are advanced at sourcing for alternative sources of financing by mobilizing domestic resources and providing incentives for the private sector to join through Public–Private Partnerships (PPP's).



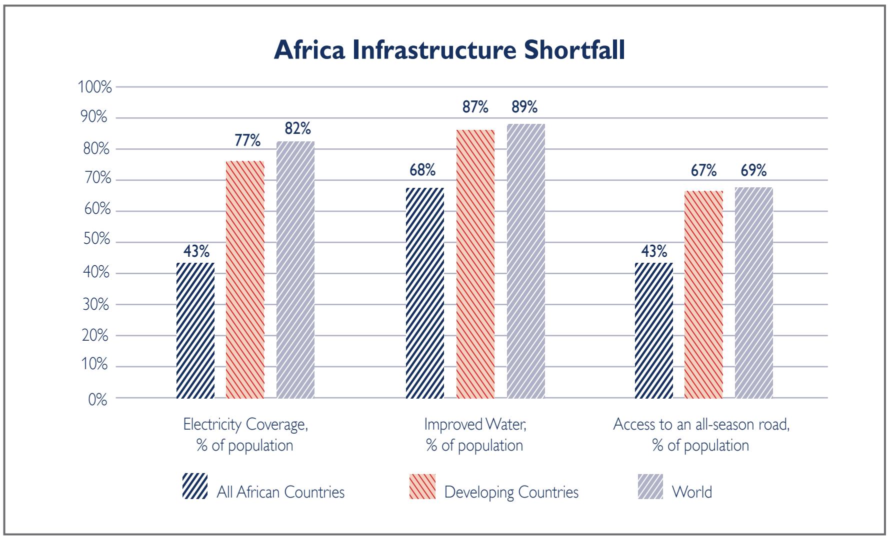
Source: AfDB (African Economic Outlook 2018)



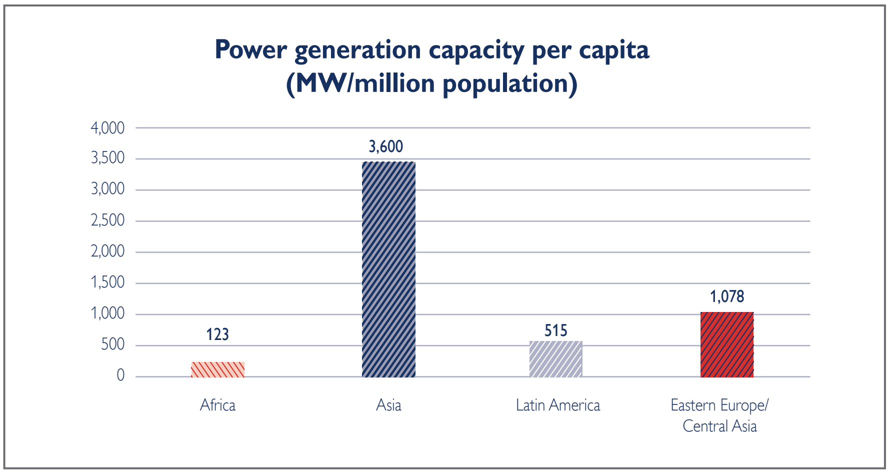
Source: World road statistics

BUSINESS REVIEW *(Continued)*

Solving the infrastructure gap (continued)



Source: African Development Bank, World Bank Group, International Energy Agency, International Telecommunication Union, TA Telecom, World Health Organization, United Nations Children's Fund, and United Nations Department of Economic and Social Affairs



Source: AfDB (Atlas for Africa energy 2014)

Most of the investments in infrastructure in Sub-Saharan Africa (SSA) are in unlisted assets, due to the relatively underdeveloped capital markets in most of the countries in the region. Unlike most developed markets, and a few emerging markets, there are few opportunities for investing in African infrastructure by purchasing liquid stocks and bonds of infrastructure companies, municipalities or projects via public exchanges.

Why invest in TC?

- TC gives investors exposure to unique infrastructure related assets..
- TC team considers investment in assets that are mission critical to infrastructure development.
- TC has in the past raised sizeable equity cheques for infrastructure projects including the Kenya-Uganda railway concession.
- TC team has structured complex transactions to financial close. TC has in the past been involved in developing complex project structures that have eventually reached financial close.
- TC team pursues opportunities in jurisdictions that have supportive regulatory environments. This mitigates risk associated with the project.

Exposure to TC portfolio is exposure to infrastructure in Africa with the benefit of exposure to both public and private sector infrastructure development. Pursuing investments in both the public and private space widens the

BUSINESS REVIEW *(Continued)*

opportuniy pool and creates divesification.

At TC, we believe that through purposeful capital allocation, we can impact African lives positively by investing in infrastructure. Our goal is to achieve superior and sustainable returns through the acquisition and operation of companies and projects involved in infrastructure development which is critical to the functioning of regional and local economies.

TC Attributes

Execution capabilities:

- Proven operational track record
- Tried and tested project development and investment process
- In-house transaction and structuring experience
- History of developing unique partnerships for enhanced capability and knowledge transfer.

Partnerships:

- Strong in-country professional relationship network
- Formation of strong strategic alliances
- Partnership with other equity sponsors to contribute towards development costs
- Ability to share risks across partnership network, resulting in lower risk profile for TC

Core focus

- Focus on investing in infrastructure products, projects and services
- Target key infrastructure pillars in the countries we operate in.


AEA
AVERY EAST AFRIC

BUSINESS REVIEW *(Continued)*

OUR STAKEHOLDERS

Our stakeholders comprise of people, groups or organizations that have an influence in our business and those who have an interest in what we do. The list is no way exhaustive but highlights those group's that have a direct link to TransCentury.

TC remains committed to working with all stakeholders, understanding their expectations, having a clear strategy on engaging with them and creating opportunities to enable us to achieve our Vision.

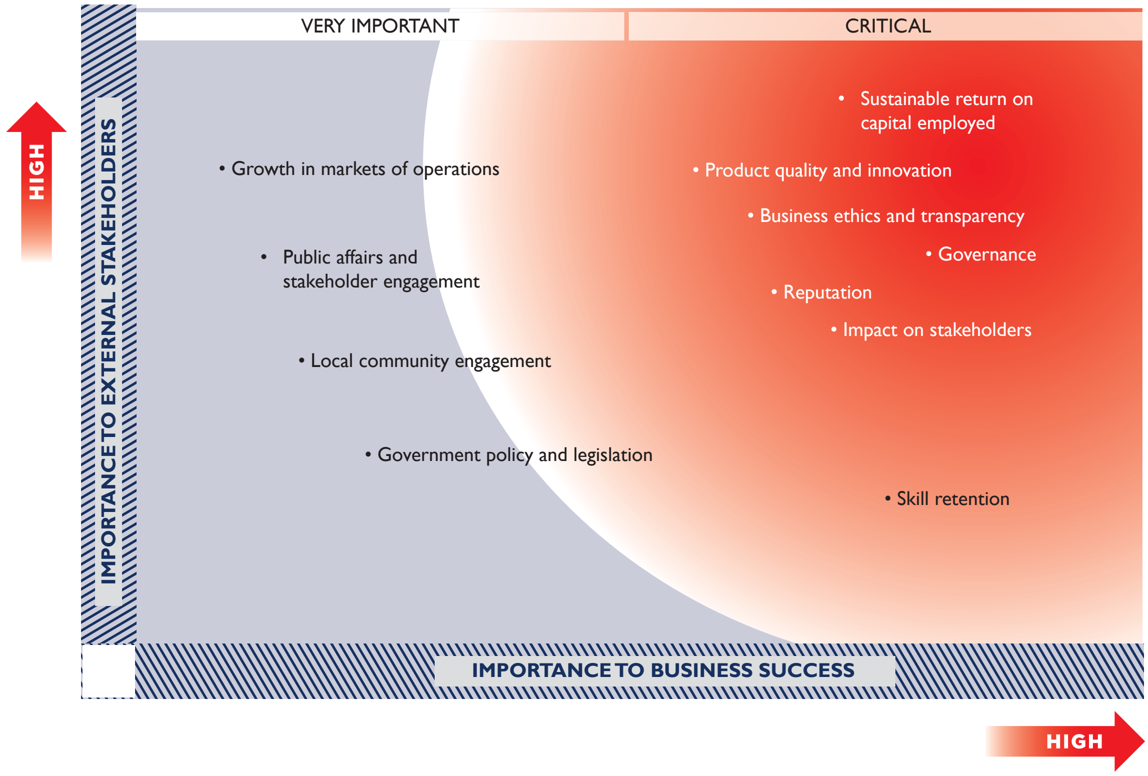
STAKEHOLDER GROUP	EXPECTATIONS	FOCUS
Shareholders	Superior sustainable value with consistent appraisal on strategy	• Business Performance • Regular information
Government and Regulators	Company meets laid out policies with an increased emphasis on Environmental, Social and Governance (ESG) policies	• Business ethics, transparency, and integrity • ESG
Customers • Portfolio businesses • Potential investee businesses - Create superior, sustainable value	Capital avilability supported by a robust operating framework and a platform to leverage on in addition to technical support	• Systems and structure • Governance • Capital
	Solution provider for uplift in brand equity, preservation of value and growth	• Value creation • Build Brand
Employees	An environment they can thrive in, be valued as they add value. A safe and healthy working environment with development opportunities and latitude to make decisions	• Business performance • Personal growth
Strategic partners • Suppliers • Lenders	Long term relationship that is mutually beneficial	• Business performance • Business integrity and ethics
	Long term partnership with sustainable profitable performance and the right team to deliver strategy	• Business performance • Transparency
Influencers • Analysts • Media • Advocacy Groups • Local community	Transparency of information disseminated while providing leadership in shaping industry information and initiatives to benefit the sector as well as community	• Transparency • Leadership

BUSINESS REVIEW *(Continued)*

OUR MATERIALITY MATRIX

Our material issues

TC has reviewed its material issues that support our strategic policies and action areas. Our material issues assessment is part of a wider set of stakeholder engagement process undertaken by the Group.



TC staff in action during the 2018 team building retreat

BUSINESS REVIEW *(Continued)*

"...risk management is part of our culture across the Group. We accept the risks we can manage and where this gives us a competitive advantage. We seek to mitigate or avoid other risks. Ensuring we have an efficient risk management system in place is key to developing our business and achieving our objectives..."

Njogu Kariithi
Chairman, Board Audit, Risk and Compliance Committee

THE WAY WE MANAGE RISK

DETERMINED BY
Our overall strategy and objectives reflecting our risk appetite

SHAPED BY
Our Culture and value guiding our approach to risk management

RISK MANAGEMENT PILLAR

GOVERNED BY:
Policies defining risk management and control standards for all our operations

SUPPORTED BY
Training on topic such as internal controls, ethic

Trusted to manage our risks

Investment is our business and so risk management is a necessary and intrinsic part of the way we work. Our customers trust us to make it integral to our service and our culture. It is part of our responsibility to them, as well as to investors, employees and other stakeholders.

We review our principal risks regularly, because we work in a dynamic environment where new risks may arise, or previously identified risks may have a different impact. Effectively managing risks is the responsibility of all employees. Managers are accountable for allocating required resources to successfully manage the risks they own.

The Board of Directors has overall responsibility for the Company's system of internal control and risk management, and for reviewing its effectiveness. The Board establishes an ongoing process for identifying, evaluating and managing risks faced by the Group to safeguard shareholders' investments and the Company's assets.

What we focused on during the year

We strive for a simple and practical approach while constantly improving our risk management process and the quality of information it produces. Our key focus areas during the year were:

- Expanded risk assessment on key activities with a focus on manufacturing, construction & Services businesses.
- Concentrated support provided to manufacturing and information solutions and services (ISS) in terms of business continuity management.
- Implementation on new strategy

What we plan to do in the future

- Support our key suppliers to improve their business continuity responses.
- Continue to enhance our business continuity
- Ongoing development of our holistic control view through synergies, exchanges and reviews between risk management, Internal control, internal audit, quality and corporate strategy

BUSINESS REVIEW *(Continued)*

How we share our risk management responsibilities

Who are responsible for what?

The Board
Approves strategic objectives and validates our risk appetite.
- Reviews the Group's key risks and mitigating measures.
- Reviews the Company's risk management and internal control systems.
- Assesses these systems' effectiveness through its Audit committee.

Management
Is responsible for the "tone at the top
- Oversees design and sustainable implementation of Enterprise Risk
- Management (ERM) and internal control systems.
- Defines and allocates risk appetite.
- Makes decisions when substantial risk is at stake.
- Evaluates the adequacy of risk mitigation plans

BUSINESS MANAGEMENT
First line of defense
- identifies, takes and manage risks there are of responsibility
- Maintain day to day internal controls

SUPPORT FUNCTION
Second line of defense
- Define internal control policies and provide guidance in their area
- Develop risk management culture awareness of internal control
- Establish discipline and act as a guardrail

CORPORATE RISK MANAGEMENT
Second line of defense
- Develop and promote ERM framework to help business leaders identify, assess, manage, monitor and report risk
- Facilitates review of the design and implementation of internal control

INTERNAL AUDIT
Third line of defense
- Provide independent assurance of effectiveness of the Group risk management and internal control and internal control frameworks and activities

Five risk management processes

1. Budgeting planning and reporting
2. Risk assesment and mitigation
3. Crisis and business continuity
4. Fraud risk management
5. Transfer to insurance if not mitigated

BUSINESS REVIEW *(Continued)*

Business model and business risks

Business Model

The Group's business model is based on operating across the value chain to meet a range of customer requirements, offering designed solutions in engineering, infrastructure and power projects. Through the strong regional and national presence of our engineering and power operations, we pursue business opportunities mainly in Eastern and Southern Africa.

Business risk

The continued success of the Group depends upon the Management's ability to identify and manage risks which are inherent in the type of activity we are engaged in. These risks fall into specific areas, all of which have the potential to impact on the success of the Group.

Financial risk

The principal financial risks that we face are associated with our ability to accurately estimate the costs of carrying out the contracts in which we engage, the risk of properly incurring and controlling those costs, the ability to recover costs under the payment terms of all contracts, the financial standing of our clients, subcontractors and suppliers in terms of their ability to discharge their obligations to us. The Group controls these risks in several ways. The Group is highly selective in the type of work that it tenders for in terms of the project size, location, complexity and contract duration. These criteria are examined for each business unit and are specific to them to ensure that their capabilities are used to best effect.

The Group specializes in certain types of engineering projects in line with the areas where we have proven expertise. The financial risk management objectives and policies are disclosed in Note 5 to the financial statements. Tenders are controlled in accordance with a tender control policy and are authorized by directors per their value and type.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining enough cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The financial risk management objectives and policies are disclosed in Note 5 to the financial statements. The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Credit risk is managed by the Group Chief Financial Officer (GCFO), except for credit risk relating to accounts receivable balances. The finance manager is responsible for managing and analyzing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from cash at bank and short-term deposits with banks, as well as trade and other receivables.

BUSINESS REVIEW *(Continued)*

Credit risk (continued)

The Group does not have any significant concentrations of credit risk. For trade receivables, the credit controller assesses the credit quality of the customer, considering its financial position, experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the board. The utilization of credit limits is monitored regularly. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates.

The Group manages credit risk by requiring the customers to provide financial guarantee contracts.

Reputational risk

The risk of a negative impact that can result from the deterioration of the Group's reputation among stakeholders and the general public resulting to loss in revenue and reduced client loyalty, litigation, regulatory sanction or additional oversight and decline in TransCentury's share price. The Board and the management constantly monitor and address issues that can adversely impact the Group's reputation as well as other facets of the business that have an impact on reputation.

Regulatory and governance risk

We operate in dynamic environment where changes in laws or regulations can materially impact business sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of an investment, or change the competitive landscape. We have ensured the Group adopts sound corporate governance structure and practices that align with industry good practice and enable it to achieve its strategy, also greater clarity and confidence around the regulatory risk framework and the organization's ability to manage regulatory change has been our key emphasis. We have also ensured process improvement opportunities to ensure the effective and consistent management of compliance and regulatory obligations.

Analysis of development and performance of the business in 2018 Principal risk management

Strategic Risks

Political instability – The Group has operations in different jurisdictions which are affected by the political climate there. The Group has diversified operations across different countries, mitigating material impact on the business in case of unfavourable political climate in one country. Where an adverse political climate persists, we take proactive measures to safeguard our people and assets. In 2018, the political climate in the main markets we operate in remained stable.

Change in laws and regulations – Any changes in laws and regulations have the potential to affect the Group either positively or negatively. Through our Legal Counsel, we obtain and assess the impact of any laws and regulations and put in place measures to align our businesses in order to ensure prudent capital allocation decisions and continue to deliver on our performance goals. In the year under review, laws and regulations in our markets were supportive of our business objectives. However, the Group continued to experience difficulty in accessing commercial bank financing in Kenya as a result of the implementation of interest rate caps through The Banking (Amendment) Act 2016. The Group has continued to engage with all stakeholders to implement a sustainable solution to funding requirements.

Erosion of market share – The Group strives to be the market leader in the sectors it operates in by offering customers the right solutions at the right time, in the right quality and at the most competitive price. Competition is the natural outcome in a free enterprise environment and we believe that a level playing field is key for all industry players. The Group continuously monitors the competitive landscape through independent market sounding research and internally-run customer satisfaction surveys to ensure that it excels at offering the best value for money to our customers. In 2018, market share was negatively affected as the Group focused on optimizing the capital structure and availing capital to finance orders at hand.

BUSINESS REVIEW *(Continued)*

Change in consumer needs and technology trends – The Group is a leader in bringing innovative solutions to the market developing technology-driven demand while constantly engaging with customers and other stakeholders to serve them better. We incorporate more efficient and effective information and communication tools in managing client relations and business performance. The Group continues to develop and maintain a healthy pipeline of order book. In 2018, the Group, through its subsidiarys, entered into the management contracting services business with an order in excess of KShs 2 Billion.

Operational risks

Compliance to laws and regulations – The Group ensures that it is fully compliant with applicable laws and regulations in the markets and sectors we operate in. We are guided by a risk management frame work which involves continuous review of our risks and implementation of mitigating actions to ensure compliance.

Global commodity price fluctuations – The Group's operating businesses are affected by the price fluctuations in key commodities. We have adopted supplier agreements and pricing models that enable us to insulate the business from adverse price movements and ensure that there is sufficient compensation for value add. On the market side, upward fluctuation of some commodities may present demand risk for our operating businesses, especially where customers delay projects due to escalation of commodity prices. We manage this risk through diversification of revenue streams.

Supplier risk – The Group ensures that all critical materials and supplies have multiple suppliers in an effort to address any supply-related risks. We constantly monitor global trends in the sourcing of key raw materials and align our procurement decisions to mitigate stock-out risks.

Financing and currency risk – Financing requirements for the Group are met through a mix of internally generated funds and debt. Debt in hard currency faces a depreciation risk due to fluctuations in the local currency. On the flip side, borrowing costs for local currency debt tend to be higher. The Group incurs a significant portion of its cost of production in hard currency including key raw materials and spare parts. The Group is able to obtain revenues in both local and hard currency, predominantly dollars, allowing us to operate a natural hedge.

Optimization of capital structure

On 20th December 2018, as indicated in Note 34, a subsidiary company entered into a conditional agreement with a lender whose effect has been the reduction of liabilities owed by KShs 1.56 Billion. The transaction was completed in May 2019. Concurrently, new credit facilities were signed which have resulted in an extension of tenor from current due to ten (10) years with moratorium of six (6) months and twenty-four (24) months on interest and principal respectively. The resulting gain on this transaction will be recorded in the financial statements for the year ended 31 December 2019.

Improvement in working capital management

During the year, the Group continued to focus on working capital management, releasing KShs 854 million (2017: KShs 483 million) from inventory and receivables. This increase has been driven by focus on optimizing available working capital, and better matching supply to demand. These funds significantly eased short-term liquidity pressures.

Improvement in order book

The Group continues to prioritise commercial relationships, closing 2018 with an order book in excess of KShs 14 billion to be executed over twenty four (24) months.

Regional diversification of revenue streams

In 2018, 43% of the Group revenues was from markets outside of Kenya, compared to 25% in 2017.The Group continues to focus on regional diversification as a way to address any localised challenges in a given market.

BUSINESS REVIEW *(Continued)*

Analysis of the company's financial position at the end of the year

The Group and Company incurred a loss of KShs 3,503 million and KShs 180 million respectively during the year ended 31 December 2018 (2017 – Group KShs 4,331 million, Company KShs 756 million), and as of that date, the Group's and Company's current liabilities exceeded current assets by KShs 10,362 million and KShs 386 million respectively (2017 – Group KShs 8,533 million, Company KShs 438 million). The Group has put in place detailed action plans to ensure it meets its obligations as and when they fall due. These are addressed in Note 2(f).

Main trends affecting future development

The following key trends have an effect on our business and demonstrate the opportunity in the markets and sectors we operate in:

- Low electricity access rates and inadequate transport infrastructure in Sub-Saharan Africa, creating a window of opportunity for existing players
- Government-driven national development plans seeking to propel the economies to middle-income levels, including development of power generation plants and transmission lines, further expanding the need for TransCentury's products and services
- The enforcement of the Government's policy favouring local sourcing of key products and services.
- 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.

Environment matters

The operating Divisions have well-documented health, safety and environment policies and procedures. The Group strives at benchmarking the policies and procedures in line with international best practice.

Information on employees

The Group directly employed 1,039 staff members by the end of 2018, spread across six (6) countries. The Group also provides indirect employment opportunities through our suppliers and partners across the regions.

Social and community issues – CSR

The Group has partnered with technical institutions to provide internship opportunities to students in the electrical and electronics, engineering, building and construction faculties. This is in addition to scholarship support to top students in the mentioned faculties and facilities and learning tools upgrade.

Contractual agreements

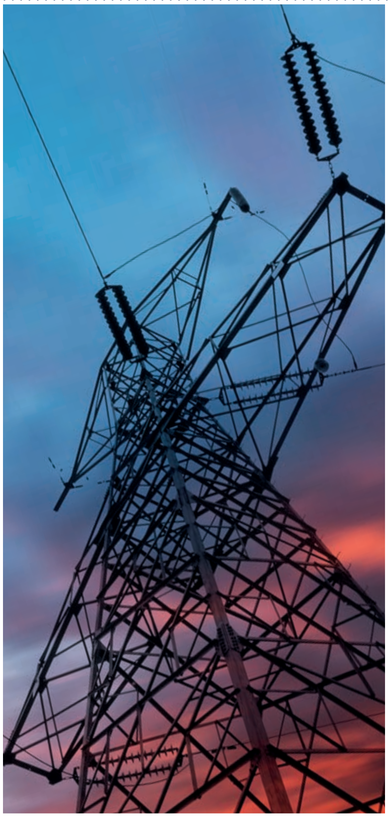
The Group and its subsidiaries enter into contractual arms-length agreements in the normal course of business. These agreements are subject to laid down internal procedures and approvals to protect the Group from un-anticipated negative consequences.

Future outlook

The Group's future outlook has been disclosed on pages 32 to 36.

OUR DIVISIONS

Power:
Manufacturer of products that go into key infrastructure including; electrical cables & conductors, transformers and switchgears.



East African Cables
Connecting lives

TANELEC

Câbleries du Congo

KEWBERG CABLES

Engineering:
Construction of infrastructure projects and provision of solutions that enhance infrastructure efficiency and sustainability.

civicon

AEA LIMITED

Infrastructure Projects:
Development of critical energy and transport infrastructure to support key pillars of the domestic and export economy.

TransCentury
Impacting Africa

Ahidi
Our Promise

OUR VALUES
ENTREPRENEURIAL

As we carve Africa's path, we are reinventing what it means to be an entrepreneur. We are vibrant and progressive. We commit to forward thinking.

#The**TC** way

TransCentury
Investing in Africa

www.transcentury.co.ke

BOARD OF DIRECTORS

SHAKA KARIUKI (49 years) *Chairman*

Shaka Kariuki serves as Co-CEO of Kuramo Capital Management, LLC.

Previously, Shaka served in a number of leadership roles at the $9 billion Deseret Mutual Benefit Administrators (DMBA), most recently as Head of Global Equity Markets across asset classes, Head of Fixed Income, and Portfolio Manager of Global Private Equity. Shaka also headed the investments of DMBA Affiliates in Developed and Emerging Markets (UK, Canada, New Zealand, Australia, Philippines, Samoa), including Africa. Prior to DMBA, Shaka was a Senior Member of the Global Finance team at Agilent Technologies where he managed finance teams in Asia, Europe, Japan and USA. Prior to Agilent, Shaka was an Associate in the Investment Banking Division of First Security Van Kasper. Shaka also worked at Choice Hotels International in the mergers & acquisitions department.

Shaka currently serves as Vice Chairman of Gen Africa, Vice Chairman of Sterling Capital Limited, Executive Chairman NAS Foods in Ethiopia, and is on the Board of Leon Business Solutions in Zimbabwe, Solo in Nigeria, Viathan in Nigeria, Sepfluor in South Africa and the Marriott School of Management at Brigham Young University in the USA.

Shaka holds a B.S. in Economics, an MBA with an emphasis in Finance from Brigham Young University, and a Masters in Government from Harvard University. He is a member of the CFA Institute.

BOARD OF DIRECTORS *(Continued)*

NGANGA NJIINU, CFA (40 years), *Group CEO*

Since joining TransCentury Group in 2008, Njiinu has held various roles in Corporate Finance, Portfolio Management, Business Development as well as originating and developing opportunities in the infrastructure space.

Prior to Joining TransCentury, Njiinu worked for Coldwell Banker Residential Brokerage in the USA for seven (7) years, where he was involved in strategy, financial planning and analysis as well as evaluation and integration of acquisitions.

Njiinu has an MBA in Finance and Investment Management from the University of Dallas in Irving, Texas and a Bachelor of Science in International Business from United States International University. Njiinu is also a CFA charter holder.

ANNE MUTAHI (57 years) *Independent Director*

Anne is a specialist in SME Development and Related Financial Services. She has a wealth of experience in the financial services sector, having worked professionally in several regulated financial institutions in senior and high level capacities. She has worked for Middle East Bank in Nairobi, ABN AMRO Bank and Citibank.

In January 2004, she left Citibank to become Chief Executive Officer of Jitegemee Trust Limited, a wholesale microfinance institution, where she served until December 2008 when she left to found Soko Letu Ltd which managed a trader market in Nairobi's Central Business District and in mid-2010 began negotiations to invest in Biashara Factors Ltd alongside other investors.

Anne is a Oversight Director of Blashara Factors Ltd which is a SME Factor House. She holds an Executive MBA (EMBA) – University of Cape Town, South Africa and a Bachelor of Science degree in Business Administration from Duquesne University, Pittsburgh PA, USA.

She is the past Chairperson to the Board of the Standard Chartered Bank Kenya, and a former Chair of Women Enterprise Fund and The Association of Micro Finance Institutions.

Anne has held a number of other positions including board membership in Old Mutual Life Assurance Company Limited. She also acts as a SME Advisor to the Executive Office of the President.

BOARD OF DIRECTORS *(Continued)*

WALÉ ADEOSUN, CFA (57 years), *Director*

Previously, Walé was Treasurer and CIO at Rensselaer Polytechnic Institute (RPI), where he oversaw USD 850 million in endowment and pension assets. He led RPI's increased investment in alternative investments, spearheading RPI's investment effort in emerging frontier markets, including Africa. From 1999 to 2004, Wale was Managing Director in the Investments Group of The MacArthur Foundation in Chicago.

Walé served as former Chairman of the Investment Advisory Committee for the USD 180 Billion New York State Common Retirement Fund. He also serves as President of the Nigeria Higher Education Foundation (NHEF). Walé was awarded the Chartered Financial Analyst designation in 1995 and is a member of the CFA Institute. He was also appointed to President Obama's Presidential Council on Doing Business in Africa.

Walé received his MBA from John M. Olin School of Business at Washington University in Saint Louis, MO with a concentration in Finance, and his BA in Economics and Business Administration from Coe College, Cedar Rapids,

KARIITHI NJOGU (69 years) *H.S.C - Independent Director*

Ephraim has vast experience in management of public resources in the Kenyan economic environment, in consultancy and advisory activities. He sits in the board of LSG Sky Chefs Kenya Ltd the 2nd inflight catering company in Kenya as well as in the Board of Old Mutual Investment Services. Between 2006 and 2012, he served as a Director at the Communication Commission of Kenya (CCK) now Communication Authority of Kenya (CAK), where he was a member of the Board Technical Committee for six (6) years and Chairperson of the Committee for three (3) years. He also served as the Chairperson of the Finance Matters Committee for more than four (4) years.

In 2009, he was appointed by the then Minister of Planning to serve as a member of National Governing Council for preparation of a second government review by African Peer Review Mechanism (APRM) programme. He is a founding member of TransCentury Group and also served as a honorary secretary, during the formative years.

He holds an M.Sc Degree in Management and Organizational Development from United States International University as well as An M.Sc Degree in human biology from Loughborough University of Technology in Leicestershire, England.

BOARD OF DIRECTORS *(Continued)*

KAMAL PALLAN (44 years) *Director*

Previously, Kamal served in a number of different executive roles at JPMorgan, most recently as Managing Director for the Global Custody business in the Americas. He was also a Product Executive in JPMorgan's ADR business where he led the issuance of GDRs and ADRs for companies from emerging and frontier markets. Prior to JPMorgan, he was an Engagement Manager in the New York office of McKinsey & Company, serving global corporations in financial services, media, and entertainment. He has also worked in business development at GE Capital and as an investment analyst at the International Finance Corporation (IFC) where he focused on equity and debt investments in the Oil, Gas & Mining sector, including initiatives in Africa.

Kamal received his MBA from the Wharton School of the University of Pennsylvania and a BSE in Chemical Engineering summa cum laude from the University of Pennsylvania.

VIRGINIA NDUNGE (48 years) *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 services having worked with Emu Registrars, Certified Public Secretaries for over thirteen (13) years, and Kaplan and Stratton Advocates for six (6)years as the head of their Company Secretarial Division.

BOARD OF DIRECTORS *(Continued)*

WANJUKI MUCHEMI (66 years) *CBS - Independent Director*

Mr. Muchemi is a senior legal practitioner with a wealth of experience in International Commercial Law, Arbitration, Alternative Dispute Resolution, Multilateral and Bilateral Finance negotiations. He is currently serving as a non-executive Director in the Boards of several listed companies including East African Cables, and private companies.

Previously, Mr. Muchemi served as the Solicitor General of the Republic of Kenya and the Principal Assistant to the Attorney General. During his tenure, he was awarded the Chief of the Order of the Burning Spear (CBS) (First Class) by His Excellency the President Mwai Kibaki, for his dedicated service. In addition, he previously served as a Director in several State Corporations as well as at the Centre for Corporate Governance for ten (10) years.

He holds a Master of Business Administration (MBA) in Strategic Management and a Bachelor of Laws (LL.B. Hons.) degree from University of Nairobi. He is an Advocate of the High Court of Kenya, Fellow of The Chartered Institute of Arbitrators, London, U.K. (FCI Arb.), Member of the Institute of Certified Public Secretaries of Kenya (CPS (K)) and Law Society of Kenya.

Ahidi
Our Promise

OUR VALUES
PIONEERING

Together we are blazing our trail in Africa.
We are pioneering in nature - unafraid, daring,
innovative and always marching forward.
#The**TC** way

OUR LEADERSHIP TEAM

GROUP MANAGEMENT

Nganga Njiinu
GROUP CEO

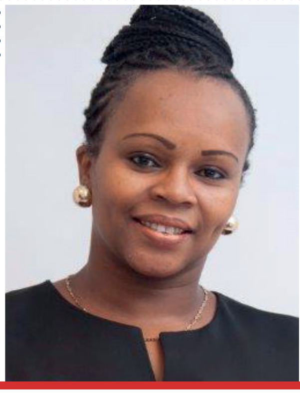
Martin Munyiri
GROUP CHIEF FINANCE OFFICER

John Mugo
GROUP CHIEF OPERATING OFFICER

Phyllis Njeri
GROUP HEAD OF CORPORATE AFFAIRS & INVESTOR RELATIONS

Florence Murerwa
GROUP HEAD OF HUMAN RESOURCES

Trevor Okoth
GROUP HEAD OF INTERNAL AUDIT, RISK & COMPLIANCE



Evelyne Wanjiku
HR & ADMIN. MANAGER - TC PLC

OUR LEADERSHIP TEAM *(Continued)*

SUBSIDIARY MANAGEMENT:

POWER DIVISION

Paul Muigai
MANAGING DIRECTOR
EAST AFRICAN CABLES

Joseph Kinyua
FINANCE MANAGER
EAST AFRICAN CABLES

Dr. Gerald Gatitu
COMMERCIAL MANAGER
EAST AFRICAN CABLES

Geoffrey Odhiambo
GENERAL MANAGER
EAST AFRICAN CABLES
TANZANIA

Peninah Murungi
HR & ADMIN. MANAGER
– EAC KENYA

Zahir Saleh
MANAGING DIRECTOR
TANELEC

Justin Gitia
FINANCE MANAGER
TANELEC

Edrick Mwenda
OPERATIONS MANAGER
TANELEC

Michael Kariithi
COMMERCIAL MANAGER
TANELEC

Charles Moono
MANAGING DIRECTOR
TANELEC ZAMBIA

Mwewa Kabalash
HR & ADMIN. MANAGER
– TANELEC ZAMBIA

OUR LEADERSHIP TEAM *(Continued)*

SUBSIDIARY MANAGEMENT:
POWER DIVISION *(Continued)*

Joshua Mauti
ACTING GENERAL MANAGER
CABLERIES DU CONGO

Steven Wanyoike
MANAGING DIRECTOR
KEWBERG CABLES & BRAIDS (PTY) LTD

SUBSIDIARY MANAGEMENT:
ENGINEERING DIVISION

Nicholas Kithinji
MANAGING DIRECTOR
AEA LIMITED

Anthony Mwangi
FINANCE MANAGER
AEA LIMITED

David Alumasa
BUSINESS DEVELOPMENT MANAGER AEA LIMITED

Salome Ndiritu
HR & ADMIN. MANAGER
AEA LIMITED

Ben Kiilu
ACTING GCEO
CIVICON

Geoffrey Njue
FINANCE MANAGER
CIVICON

William Buluma
BUSINESS DEVELOPMENT MANAGER - CIVICON

GROUP CHAIRMAN'S STATEMENT

"...as a Board however, we are confident the steps laid have started bearing fruits and the result will be what we expected and that is the Group's growth..."

In 2018, tne Group made commendable progress in key areas of the business, in line with the Ahidi 2018-2022 strategy plan on the back of our outlined four (4) steps turnaround plan that was unveiled in the last report. The focus has resulted in significant reduction of debt levels for the Group, and improved access to working capital for our operating businesses in the first half of 2019, both of which had been a challenge, stifling growth and exerting pressure on our businesses. The impact of these wins on the business and on the financial statements will be felt from 2019 onwards.

The macroeconomic environment was also quite favourable with Kenya's GDP expanding by 6.3% in 2018 compared to 4.9% in 2017, attributed to increased agricultural production, accelerated manufacturing activities, and sustained growth in transportation, sectors that TransCentury has and continues to invest in.

Despite the progress made, key milestones that were reached in 2018 will only reflect in 2019 financial statements. As a Board however, we are confident that the steps laid have started bearing

GROUP CHAIRMAN'S STATEMENT *(Continued)*

fruits and the result will be what we expected and that is the Group's growth.

Corporate Governance

The Board continued to strengthen and enhance its oversight and risk management role. To this end, in 2018, the Board continued strengthening governance structures across all units including additions in all operating units Boards as well as alignment to Group's enhanced Corporate Governance guidelines launched in 2017. We are happy to note that our Boards continue to improve their composition to reflect diversity and provide richness of expertise and experience.

Ahidi 2018-2022 strategic plan

As a Board, we have a mandate given to us by the shareholders to generate and preserve value. We have been through our first year of the Ahidi strategic plan and guided by our mission which is partnering to invest in infrastructure products, projects and services to deliver superior, sustainable value to all our stakeholders, I am happy to note that the momentum we created in 2018 through key achievements that you will read about has lived up to the mission.

The Board also recognizes the role of robust systems and structures and in the year under review we continued to strengthen the framework needed to achieve the Ahidi plan though improved policies, processes and systems.

Sustainability

We are cognizant of the fact that sustainable value can only be achieved if the ethos of sustainability are incorporated in our business and we must go beyond the financial statements and look at the Environmental, Social and Governance (ESG) as key pillars of our business. This is a journey we have begun, and the Board is committed to see our businesses put measures that will ensure ESG takes a forefront in all our dealings.

Outlook

Guided by The Ahidi strategy, TransCentury's investment focus remains on infrastructure products, projects and services in Africa and this focus is reinforced by the increased recognition by many African governments that investment in infrastructure acts as a catalyst not only for intra-regional trade and industrialization, but also underpins long-term, sustainable and inclusive economic growth. Investing in infrastructure therefore remains attractive for us fuelled by many drivers including growing population and increased government focus, triggering increasing opportunities in our addressable market.

We are on a journey of turning the business back to profitability and the Board is committed to this. We expect to make even bigger strides in 2019 in our turnaround plan on the back of successes achieved to date. On the investment front, we are continuously evaluating other viable opportunities that fit well in our platform as well as where we can add value as we scale up.

The Board is appreciative of the efforts made by our teams across the Group to get us here, the process of reprofiling the debt and seeking working capital to get the business back on the journey of growth has included complex structuring and unique solutions. On the other hand, a lot of effort continues to be put in developing and executing orderbook, efforts that give us a springboard in our turn around journey.

I cannot forget to appreciate my fellow Board members from across the Group for providing strategic direction and playing their oversight role well, even during the challenging period the Group has been in. To you, our shareholders, thank you for your continued support and faith in us as we endeavour to grow and preserve value.

Shaka Kariuki
Group Chairman

GCEO LETTER TO SHAREHOLDERS

"The investment environment in which we operate in has been quite favorable with regional Governments directing focus on supporting local industry, a sector we have heavily invested in..."

Dear Shareholder

In 2017, we outlined to you a four (4) pronged plan to turn-around our business and put it on the path to achieving our Ahidi 2018 – 2022 Strategy. The plan involved:

- Delivering a robust and fundable order book;
- Debt reprofiling to match cashflows;
- Fundraising; and
- Order book execution.

I am delighted to report that we have made good progress in key steps of the plan as follows.:

On the commercial front, we continue to attract high quality order book with favorable commercial terms from key niche sectors where we have built considerable track-record and therefore have a competitive advantage. As an example, in 2018, we closed some significant infrastructure-related contracts including a geothermal power plant construction project and a technology-driven national highways' loading management contract. We are proud to be playing our part in infrastructure development and the deployment of technologies to manage efficient use of existing infrastructure assets. Through collaborative efforts, you will see us continue to put proportionately more effort in bringing to the regions we operate tailored solutions driven by cutting-edge technology.

On debt reprofiling, our effort to optimize our capital structure continues to bear fruit. As we have explained before, this was a priority issue for us to resolve as it was putting tremendous pressure on the business in terms of debt service cash requirements as well as Management's and Board of Directors' time allocation impacting on strategy execution.

I am happy to note that after the close of the year, we had one of the most significant debt refinance and restructure transaction completed at one of our subsidiary units, East African Cables. The total effect of this transaction was a reduction of debt at the subsidiary by over KShs 1.5 billion. This transaction has not been accounted for in 2018 financials and will be reflected in 2019.

To give an overall view of the progress in the last three (3) years, the cumulative effect of our efforts and initiatives in debt reprofiling has so far resulted in:

- Reduction of commercial debt across the Group by over 40% since March 2016;
- Increased debt tenure across the Group with most of the tenures falling between 5- 10 years; and
- Reduced debt service cash flows allowing us to redirect more of the operating cash to fund working capital.

GCEO LETTER TO SHAREHOLDERS *(Continued)*

INCREASED DEBT TENURE TO GROUP AVERAGE 5-10 YEARS

REDUCED DEBT QUANTUM BY OVER 40%

REDUCED ANNUAL DEBT SERVICE CASH FLOWS

What this has done for our business is to allow our teams to put more attention into growth-focused commercial and strategic initiatives.

We expect these successes to spur positive results by unlocking the pent-up value in our order book and leveraging the proven execution capabilities of our teams. We already have good success stories in this regard, for example, Tanelec, our subsidiary in Tanzania, which has turned profitable within months of putting in place the right capital structure and funding. The business recorded 114% growth in top line in 2018 and it is already tracking at 46% higher than same period last year.

On fundraising, we noted last year that we would be raising additional equity after completion of debt restructure. We believe the progress we have made positions the business favorably to now attract capital for growth. To generate additional liquidity, we said we would be looking internally for opportunities to dispose some non-core assets to raise capital. In 2018, we identified and disposed some assets, re-allocating the capital to support production. In addition, and in line with our plan to exit some investments where value can be realized. We exited one (1) of the projects we've been developing in the power sector. We continue to look for other opportunities to deploy capital in line with our strategic plan.

As highlighted above, the major transactions accomplished that, in our view, are transforming the business are a testament to the capabilities and commitment to execution on our strategy by our teams across the Group. As we exit the downcycle, close management of our debt profile and strict capital discipline as guided by our Investment Policy will ensure that we retain a capital structure that is sustainable and ensure stability.

Business Operations

TransCentury management is tasked by you, the shareholder to create and preserve value and this remains our top priority. If we look at the year under review, you will note, a 19% reduction in loss for the period, attributed to traction in the turnaround plan especially in order book execution after debt restructure and availability of working capital in some of our operating units.

While a lot of effort has gone to various initiatives and as highlighted above there has been successes, our revenue declined in 2018. It is however important to note that the reduction in top line is not a reflection of reduced opportunities but slowed execution due to funding challenges.

Further, in the year under review, the gross profit margins grew from 11% to 21% driven by increased volumes in key units as well as strategic focus to higher margins and quick cash conversion customer base, for units that did not have optimal working capital.

Business Environment

The investment environment in which we operate in has been quite favorable with regional Governments directing focus on supporting local industry, a sector we have heavily invested in. In Kenya, our main

GCEO LETTER TO SHAREHOLDERS *(contd...)*

market, has led the way by recently unveiling The Big Four Agenda, an enabler to achieving Vision 2030, the country's development programme. The Big Four agenda focuses on enhancing Manufacturing, Food Security, Affordable Housing and Universal Health Coverage, sectors that your company has already invested in through:

- Enhanced manufacturing capacity to realize the opportunities presented by the Governments focus;
- Production of quality inputs that go to build and support the infrastructure in all the four (4) pillars; and
- Built skill and experience in our people to deliver projects in key sectors of manufacturing (construction of factories), Agriculture (supply farming equipment and storage infrastructure) Health (Construction of health facilities) and Housing (Technology and Construction).

In addition, there is a concerted effort by Government to develop a conducive and sustainable environment for business by the introduction of key legislation that goes to increase local competitiveness, this includes the local content procurement guidelines and the recently proposed sixty (60) day cap on payments from Government entities in the 2019 Finance Bill. This goes to anchor investment decision on a firm ground, and we laud this effort.

However, there remains a huge challenge in the local capital environment which doesn't match the local needs especially in the Infrastructure development space. This has continued to be a challenge for our businesses where capital available is too expensive as well as short term creating a mismatch with cashflows. The challenge has further been exacerbated by the capping of interest rates in Kenya reducing financier's appetite to support businesses. We however continue to mitigate these challenges through diversification of markets and customer mix.

It's with this understanding that we strongly believe that the region needs strong investment companies specifically permanent capital as an alternative source of funding. This provides capital that will take risks coupled with management and strategic support. TransCentury continues to provide this alternative.

People

Our key competitive advantage is people who are integral in the delivery of strategy. TransCentury has invested and successfully retained key skill with In-depth operational experience, appreciative of the needs in the region and a team that is living the TransCentury's EPIC values. This has been demonstrated vividly during the challenging period the Group has faced in the last three (3) years where the teams exhibited ingenuity in finding solutions, structuring complex transactions among others.

In the year under review, we cascaded the newly introduced corporate redesign and governance structure aimed at supporting the teams by providing a framework for enhanced synergies, accountability, and eventual preservation of value at all levels. We have endeavored to improve employee relations and engagement a factor that has proven to be instrumental in maintaining motivation and commitment. In 2018, key policies were unveiled to further safeguard employee's well-being in the workplace.

Focus Areas

Your company is in the right business and with the right model. In the coming year, we continue to focus in executing the robust order book at hand even as we look for new opportunities and continuously review our portfolio. We remain the right fit to invest/partner with as we impact Africa through transformative infrastructure.

Further to this we will continue to:

- Invest in our people as we navigate our businesses through an increasingly dynamic market;
- Re-evaluate our capacity in different units to maintain our quality delivery and safety standards; and
- Engage our stakeholder in dialogues that help us appraise ourselves and guide us closer to our ideal position.

I am grateful to have the opportunity to outline to you the milestones achieved in the year and our focus areas moving forward. I am however cognizant of the fact that we cannot achieve this without the guidance of our very able Board of Directors who have continued to provide us with the leadership we needed especially as we weathered a difficult period. I would also want to appreciate our teams across all our businesses, who have embodied the TransCentury values in every sense of the word. To you our shareholders, thank you for entrusting us the mandate to manage this business.

Nganga Njiinu
Group GCEO

Ahidi
Our Promise

OUR VALUES
INNOVATIVE

We seek to create new ideas, methods and systems as we impact Africa.
#The**TC**way

TransCentury
Investing in Africa

www.transcentury.co.ke

CORPORATE GOVERNANCE

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 observes the highest standards and benchmarks on global best practices in compliance with 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 31st December 2018, the Board consisted of the Chairman, Mr. Shaka Kariuki, five (5) non-executive directors, namely: Mrs. Anne Mutahi, Mr. Wale Adeosun, Mr. Kamal Pallan, Mr. Ephraim Njogu, Mr. Wanjuki Muchemi and the Group Chief Executive Officer (GCEO), Mr. Njiinu Nganga. The directors' biographies appear on page 23 to 27. 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 on a monthly 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 GCEO.
- The Board nonetheless retains responsibility in maintaining the company's overall internal control on financial, operational and compliance issues. All our directors have also 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.

Group Board of Directors at an Annual Corporate Governance Training

CORPORATE GOVERNANCE *(Continued)*

Structure and function of the Board

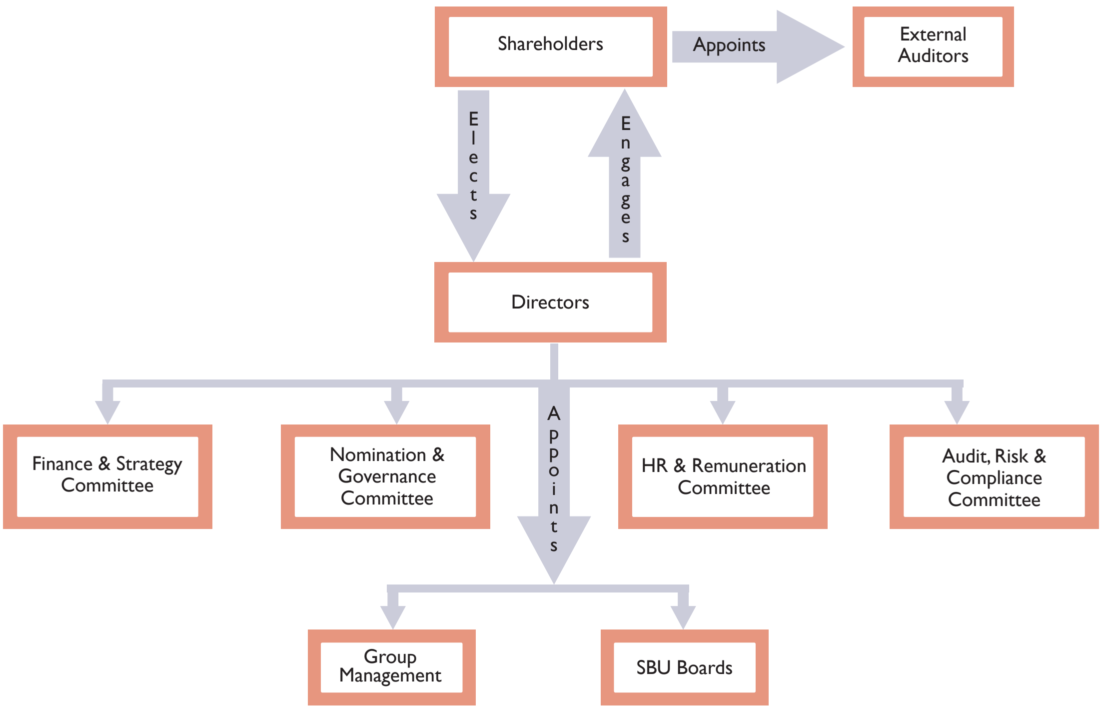
TransCentury has in place a Corporate Governance Manual which provides the Corporate Governance guidelines for the Board. This sets forth the responsibilities of the shareholders, the Board and Management, spelling out the Board composition and membership. This manual is well aligned with the requirements of the CMA Code of Corporate Governance practices for issuers of securities (the code) and the Company's Act ensuring compliance with the legal and statutory requirements.

Guided by the Delegation of Authority policy which covers operating and capital expenditures as well as the investments, the Board delegates the day to day management to the Group CEO who also delegates to his own Management. Its primary role is to ensure sustainable success of the Company and all stakeholders. The role of the Board Chairman and Group CEO is clearly separated in the manual.

The Board has also formulated various Board Committees to assist it the delivery of its mandate. This helps the Board Chairman to tap into the different areas of expertise of the directors and ensure that critical matters are well deliberated and evaluated. Each committee is governed by terms of reference and updates the Board of its discussions through committee reports.

During the period, the Board ensured all the committees as required by its charter, are formulated and are meeting as required.

Governance Structure



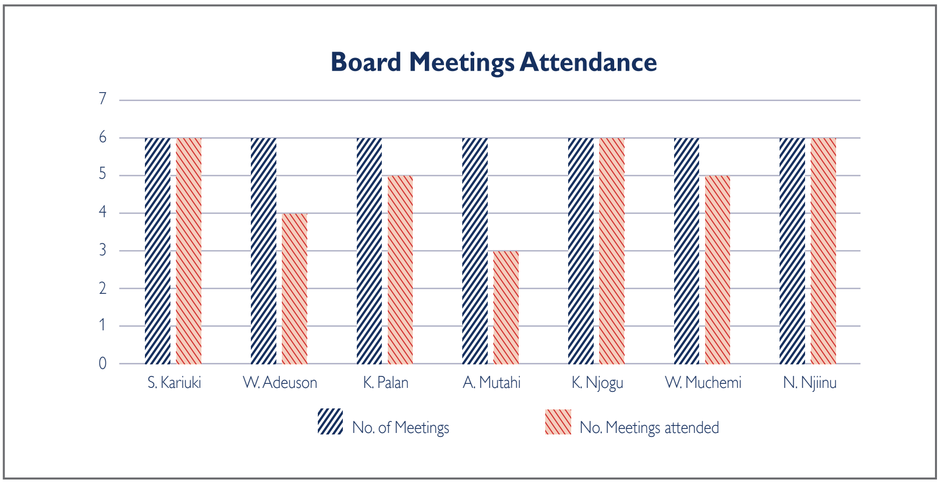
CORPORATE GOVERNANCE *(Continued)*

Governance Structure.

Board Meetings

The TransCentury Board meets at least once every quarter and any other time when the demands of the business deem it necessary to hold a meeting. The scope of the meeting is as per the annual workplan and covers such areas as the strategy, business performance and overall control. The meeting's agenda are aligned to the workplan and the Company Secretary sends out the notice together with the detailed Board packs in advance for directors' review and reference.

In the year ended 31st December 2018, the Board held seven (7) Board meetings as set out in the table below:-



TC leadership at last year's Annual General Meeting

CORPORATE GOVERNANCE *(Continued)*

Board Committees

To facilitate the effective delivery of the strategy, management of risks, financial performance and reporting, the Board has established Board Committees. The committees are charged with looking at key issues in detail and providing recommendations to the board for consideration. The table below summarizes the Board Committees in place and the key activities for the year ended December 2018.

Committee	Purpose	2018 Activities
Committee: Nomination & Governance **Chairman:** Shaka Kariuki **Members:** Wanjuki Muchemi, Nganga Njiinu	• to assist the Board in fulfilling part of its oversight responsibilities, specifically to propose new nominees for appointment to the Board and for assessing the performance and effectiveness of the directors of the Company.	• Corporate Governance policies development & compliance • Directors recruitment & selection • Board Evaluation • Legal, compliance and Governance Audit
Committee: Human Resources & Remuneration **Chairman:** Wanjuki Muchemi **Members:** Shaka Kariuki, Nganga Njiinu	• responsible for exercising oversight with respect for the establishment, maintenance and administration of the Company's management and employee compensation programs and employee benefit plans and the development of and succession for key executives and management roles.	• Development of HR Policies and processes • Roll out and implementation of the Group Organization structure • Review of the performance measurement for the senior management
Committee: Finance & Strategy **Chairman:** Wale Adeuson **Members:** Shaka Kariuki, Anne Mutahi, Nganga Njiinu	• To review the financial objectives, policies, capital structure and financing requirements of the Company and to oversee the development and implementation of company's long-term strategy	• Review of the Ahidi Strategy • Review of the 2019 financial plans and budget • Review of the investment polices • Monitoring of business perfomance • Management of strategy » Funding » Execution
Committee: Audit, Risk & Compliance **Chairman:** Kariithi Njogu **Members:** Kamal Pallan	• Ensuring the company's financial statements comply with applicable financial reporting standards which is integral to the reliability of the financial statements. • Provide oversight for assessing and monitoring all risks and maintain compliance with legal, statutory and corporate polices and standards.	• Review of the financial statements • Review of the Risk management framework • Review of the Internal Audit Plan and Audits undertaken during the year

Board Committees Attendance

HR & Remuneration	
S. Kariuki	3/3
W. Muchemi	3/3
N.Njiinu	3/3

Finance & Strategy	
S. Kariuki	4/4
N.Njiinu	4/4
W. Adeuson	3/4
A. Mutahi	2/4

Nomination & Governance	
S. Kariuki	3/3
W. Muchemi	3/3
N.Njiinu	3/3

Audit, Risk & Compliance	
K. Njogu	4/4
K. Pallan	4/4

CORPORATE GOVERNANCE *(Continued)*

Nomination, Appointment & Succession

The Nomination & Governance Committee is responsible for appointment and succession of directors. The Committee screens and presents the selected candidates to the Board. The screening is guided by the Company's strategic direction, the candidate's knowledge and abilities, expertise and experience required. Directors are nominated by the shareholders to the Committee who verifies the qualifications of the nominees before submitting to the Board. After scrutinizing the candidates, the Nomination & Governance Committee proposes the selected candidates to the Board for consideration. Upon endorsement, the Board proposes the nomination to the shareholders for approval of the appointment.

Nomination & Governance Committee also reviews the age and tenure of the directors and puts in place strategies to ensure succession of directors.

Board Tenure

The Corporate Governance Guidelines provides for a tenure of three (3) years of any non-executive director in either TC and/or its subsidiaries, with the potential of further renewal for another 3-year period, giving a maximum of six (6) years in any one (1)company. To ensure planned and progressive refreshing of the Board, the Board has adopted a Board Rotational Policy whereby a number of non-executive directors are re-elected each year at the Annual General meeting (AGM), in line with the Articles of Association. At the end of the period, two (2) directors; Ms.Anne Mutahi and Mr. Wanjuki Muchemi were re-elected during the AGM.

Board Skills and Qualifications

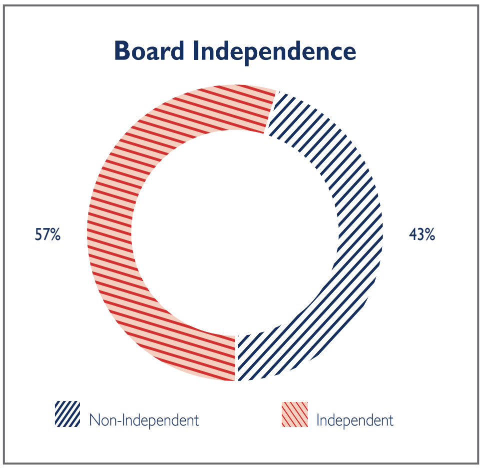
In line with the Company's core business and its strategy, each director skills are critical, and the Board ensures that collectively all requisite skills and experience is available for the Board to discharge its roles and responsibilities objectively and effectively. The Nomination and Governance Committee is charged with the responsibility of ensuring that the Board has the right mix to help the Board in having an informed way of evaluating and reviewing the Company performance.

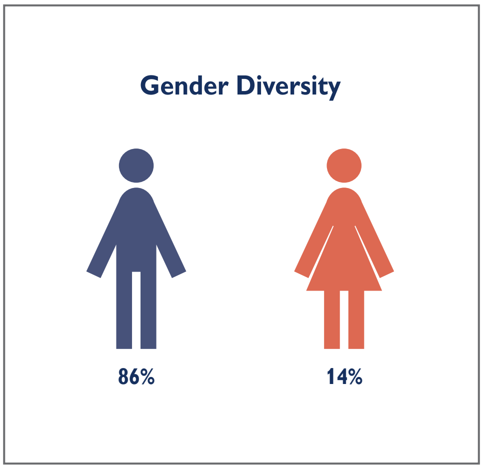
Key Skills	S.Kariuki	K.Pallan	W.Adeosun	A.Mutahi	K.Njogu	W.Muchemi	N.Njiinu
Corporate Governance	✓	✓	✓	✓	✓	✓	✓
Business Management	✓	✓	✓	✓	✓	✓	✓
Financial skills	✓	✓	✓	✓	✓	✗	✓
Public Affairs	✓	✓	✓	✓	✓	✓	✓
Strategy	✓	✓	✓	✓	✓	✓	✓
Risk management	✓	✓	✓	✓	✓	✓	✓
Information Technology	✓	✗	✗	✗	✓	✗	✓
Commercial Skills	✓	✓	✓	✓	✗	✗	✓
Legal	✗	✗	✗	✗	✗	✓	✗
Audit	✓	✓	✓	✗	✓	✗	✓
Investment	✓	✓	✓	✓	✓	✗	✓
Human Resources	✓	✓	✓	✗	✓	✓	✓

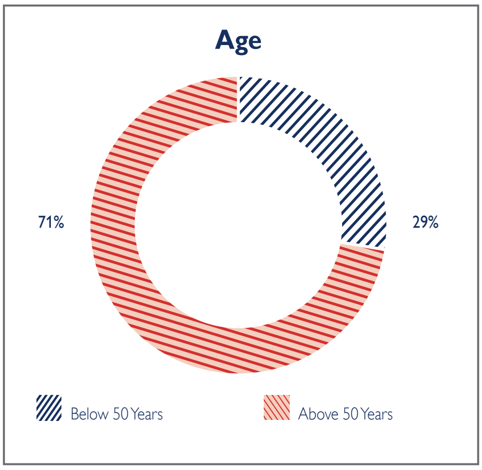
CORPORATE GOVERNANCE *(Continued)*

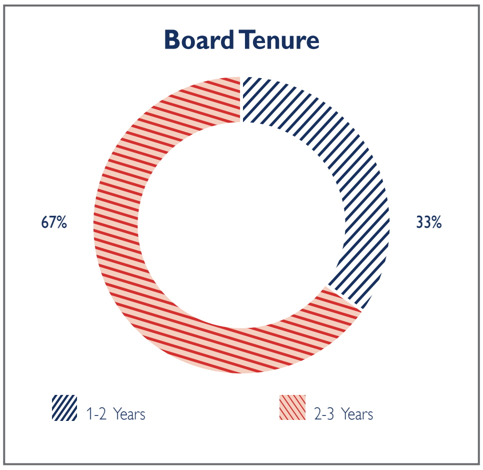
Board Diversity

At TC we embrace diversity and are taking the intentional journey of building an all-inclusive TC. We believe in added value in the contributions of people from diverse backgrounds and experiences.









Board Evaluation

The Board endeavors to review its performance and that of the Board Committees, individual directors and the Company Secretary annually. The evaluation process is based on an evaluation tool kit that is focused on delivery of Vision, Mission and Strategy, Governance Board operations and solicits for feedback on Board performance improvement. The 2018 evaluations were done by the Group Chairman with coordination of the Nomination and Governance Committee.

Director Development

Directors are taken through a comprehensive induction which comprises of meetings with Board Chairman and other directors, GGCEO and other senior managers.

To keep up to date with the industry developments all directors are required to continuously undertake training. In the year ended 31st December 2018, all Director's were trained on the new Corporate Governance guidelines including the Delegation of Authority Framework that had been reviewed and approved at the beginning of the year. Post year end, the directors have trained on Corporate Governance Principles and Practices.

CORPORATE GOVERNANCE *(Continued)*

Leadership and Culture

TransCentury undertook a critical journey in redefining its Vision, Mission and Values which culminated in the Ahidi 2018 -2022 Strategy, where we believe in transforming lives of all stakeholders. In this journey, our people are an integral part. We cannot deliver our promise without people. We believe in their entrepreneurial, pioneering, innovative and collaborative (EPIC) spirit. This forms the TC way which guides our processes at all levels.

The Board is committed in ensuring not just growth, but sustainable growth of not only the Company but of all stakeholders. This includes our people, shareholders, the government and communities we work in. TC PLC has in place an Environmental and Social Sustainability Policy which governs how its strategy and operations ensure better quality of life for present and future generations through sustainable management and, use of the environment. This is to be achieved through cooperation, collaboration, synergy and partnerships with all stakeholders. Besides this policy, the Group has implemented leading labour and working practices in line with health, safety and environment practices. In its manufacturing units, TPM (Total Production Management) to enhance productivity, efficiency and safety has been implemented while on the Engineering front, the Group practices active community engagement including local staffing and hiring in addition to implementing enhancement projects among communities.

The Group had taken the below steps in order to entrench a culture of environmental, social and governance sustainability.

Induction
Both staff and Board Members undertake a comprehesive induction program upon appointment.

Policies & Procedures
The Group has laid down policies and procedures forming the Code of Conduct Framework. All in TC are required to read and sign the code of conduct framework as their commitment.

Training
On periodical basis we undertake training for both staff and Board members on Environmental, Social & Governance

Corporate Social Responsibility

Whistle Blowing Policy

TC is committed to the highest possible standards of open, probity and accountability. To this end, the Group has put into place a policy to facilitate reporting of perceived unethical or illegal conduct of employees, management, directors and other stakeholders across the Group to appropriate authorities in a confidential manner without any fear of harassment, intimidation, victimization or reprisal of anyone for raising concerns.

Conflict of interest

Before any Board meeting or Board Committee meeting, all directors are required to declare any potential conflict of interest to ensure that business is conducted in a manner that ensures judgment and decision making is not influenced by undue interests. They are also required to declare any conflict of interest at appointment through the Nomination and Governance Committee and this was observed in the year ended 31st December 2018.

CORPORATE GOVERNANCE *(Continued)*

Code of ethics and conduct

TC has in place a Code of Ethics and Conduct framework to promote and uphold ethical conduct. This covers both professional and personal conduct. This applies to directors and employees as well. This promotes a culture of fairness, honesty and integrity in their dealings with all stakeholders hence ensuring sustainable success of TC. All new employees are oriented on this framework and are always required to commit to abide by its provisions.

Communication with shareholders

The Group is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. In the year, the Group accomplished this objective through website updates, publications, distribution of its integrated report and release of notices in the national press.

The Group also holds statutory meetings as required. In this regard, the Group complies with the obligations contained in the Nairobi Securities Exchange's listing rules, the Capital Markets Authority and Kenya Companies Act.

Treatment of minority shareholders

Measures TransCentury has taken for minority shareholders' protection.

Mandatory shareholder approval of major transcactions -
to protect against insider abuses of major transactions.

Mandatory independent Board Bommittees -
to protect against insider abuses with Board Committees .

Mandatory reporting of trascations by substantial shareholders.

Mandatory shareholder approval of interested transactions

Penalties for insider trading -
to protect against insider abuses of information at the expense of current and potential shareholders.

CORPORATE GOVERNANCE *(Continued)*

Shareholders Rights

Through its Corporate governance framework

Right to seek information

- Right to know about the price sensitive information of the company, fair to all shareholders.
- Right to inspect the register of members
- Right to receive Notice of General meetings
- Right to inspect minutes of the General meeting
- Right to be kept fully informed of what is happening in the Company.

Right to to voice opinion

- Right to attend general meetings
- Right to be heard and make proposals at shareholders meetings
- Right to vote and elect directors
- Right to nominate directors
- Right to appoint auditors.
- Right to receive dividends, if declared.

Source: TC Board Charter

Ahidi

Our Promise

OUR VALUES
COLLABORATIVE

Together we are stronger by leveraging on our collective genius. Together we can achieve greatness.
#The**TC**way

TransCentury
Investing in Africa

www.transcentury.co.ke

Principal Shareholders and Distribution of Shareholding

Principal shareholders

The ten (10) largest sharehold in the Company and the respective number of shares held at 31 December 2018 are as follows:

Major Shareholders

No.	Name of Shareholder	No. of Shareholders	No. of Shares held	% Shareholding
1	Kuramo Africa Opportunity Kenyan Vehicle Ltd	1	93,776,173	24.99%
2	Standard Chartered Nominees Ac Ke15615	1	31,065,194	8.28%
3	Michael Gitau Waweru	1	21,216,380	5.65%
4	Anne Pearl Karimi Gachui	1	21,140,990	5.63%
5	Peter Tiras Kanyago	1	15,641,387	4.17%
6	Kariithi Njogu	1	12,520,370	3.34%
7	Gitau Zephaniah Mbugua	1	11,984,752	3.19%
8	Gath Properties Limited	1	10,933,000	2.91%
9	Robin Munyua Kimotho	1	10,851,510	2.89%
10	Standard Chartered Kenya Nominees Ltd A/C Ke003228	1	10,437,800	2.78%
	Sub – total	**10**	**239,567,556**	**63.85%**
	Others	**1,923**	**135,635,210**	**36.15%**
	Total issued shares	**1,933**	**375,202,766**	**100%**

Distribution of Shareholding

Shares range	Number of Shareholders	Number of Shares held	% Shareholding
1 – 500	779	161,177	0.04%
501 - 5,000	712	1,532,170	0.41%
5,001 - 10,000	100	718,487	0.19%
10,001 - 100,000	255	6,878,601	1.83%
100,001 - 1,000,000	58	17,210,505	4.59%
Above 1,000,000	29	348,701,826	92.94%
Total	**1,933**	**375,202,766**	**100%**

Principal Shareholders and Distribution of Shareholding

Shareholder Analysis by Domicile

Domicile	Number of Shareholders	Number of Shares Held	% Shareholding
Local individuals	1,766	197,206,727	52.56%
Local institutions	133	27,873,035	7.43%
East African individuals	3	33,900	0.01%
Foreign individuals	21	446,900	0.12%
Foreign institutions	10	149,642,204	39.88%
Total	**1,933**	**375,202,766**	**100%**

DIRECTORS AND STATUTORY INFORMATION

DIRECTORS

Shaka Kariuki	Chairman
Nganga Njiinu	Managing Director
Wale Adeosun	
Kamal Pallan	
Ephraim Njogu	
Anne Mutahi	
Wanjuki Muchemi	

PRINCIPAL PLACE OF BUSINESS

8th Floor, West End Towers
Off Waiyaki Way
PO Box 42334 - 00100 Nairobi GPO
00200 Nairobi City Square

SECRETARY

Virginia Ndunge
Certified Public Secretary (Kenya)
PO Box 18243 - 00500 Nairobi

AUDITORS

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

SHARE REGISTRARS

Cooperative Bank of Kenya Limited
Share Registration Services
Wing 2, 3rd Floor CIC Plazza
Upper Hill, Mara Road
PO Box 48231 - 00100 Nairobi GPO

REGISTERED OFFICE

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

ADVOCATES

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

Mboya Wangong'u & Waiyaki Advocates
Maji Mazuri Road, off James Gichuru Road
PO Box 74041 - 00200 Nairobi City Square

Nyachoti & Company Advocates
4th Floor, Museum hill Centre
Museum Hill/ Muthithi Road
PO Box 39252 - 00623 Nairobi

BANKERS

Citibank N.A Kenya
Citibank House
PO Box 30711 - 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

SBM Bank (Kenya) Limited
Riverside Mews, Riverside Drive
PO Box 66015 - 00800 Nairobi

Sidian Bank Limited
K-Rep Centre,
Wood Avenue, Kilimani
PO Box 25363 - 00603 Nairobi, Kenya

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors submit their report together with the audited consolidated and separate financial statements for the year ended 31 December 2018, which disclose the state of affairs of the Group and Company.

1. Activities

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

2. Results

The Group's and Company's results for the year are set out on pages 64 and 65 respectively.

3. Dividends

The directors do not recommend the payment of a dividend (2017 – Nil).

4. Directors

The directors of the Company who served during the year and up to the date of this report are set out on pages 23 to 27.

5. Auditors

The auditors of the Company, KPMG Kenya, have indicated thier willingness to continue in office in accordance with the requirements of the Kenyan Companies Act, 2015.

6. Employees

	2018	2017
Managers	73	66
Non-Managers	966	1,208
Total	**1,039**	**1,274**

7. Going concern

The Group and Company incurred a loss of KShs 3,503 million and KShs 180 million respectively during the year ended 31 December 2018 (2017 – Group KShs 4,331 million, Company KShs 756 million), and as of that date, the Group's and Company's current liabilities exceeded its current assets by KShs 11,160 million and KShs 386 million respectively (2017- Group KShs 8,533 million and KShs 438 million). In addition, the Group's total assets exceeded its total liabilities by KShs 3,305 million (2017 – KShs 112 million) respectively.

The Directors have disclosed that a material uncertainty exists which may cast significant doubt about the Group and Company's ability to continue as a going concern and, therefore that they may be unable to realise their assets and discharge their liabilities in the normal course of business.

8. Relevant audit information

The directors in the office at the date of this report confirm that:

- There is no relevant audit information of which the Group and Company's auditors are unaware, and
- Each director has taken all steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. Directors interests

Director's direct interests in the shares of the Company were as follows:

	2018	2017
Name	**No. of shares held**	**No. of shares held**
Shaka Kariuki*	Nil	Nil
Wale Adeosun *	Nil	Nil
Kamal Pallan *	Nil	Nil
Kariithi Njogu	12,520,370	12,520,370
Ann Mutahi	Nil	Nil
Wanjuki Muchemi	3,912,670	3,912,670

* *Directors with indirect interest through other entities owning 93,776,173 shares in 2018 and 2017.*

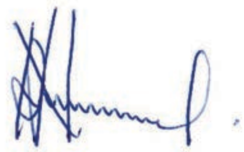
10. Business review

The Group's and Company's business review has been disclosed in pages 9 – 20.

11. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors on 31 July 2019.

By order of the Board



Virginia Ndunge
Secretary

Date: 31 July 2019

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Group and Company has a reward system that seeks to recognize the contribution made by individuals to the success of the Company while reflecting the value of the roles they perform, as well as the levels to which they perform.

The Group and Company presents the Director's Remuneration report for the year ended 31 December 2018. This report has been prepared in accordance with the Company's reward policy, the relevant provisions of both the Capital Markets Authority (CMA) Code of Corporate Governance Guidelines on Directors' remuneration and the Kenya Companies Act, 2015.

As at 31 December 2018, the Board consisted of the Chairman, Mr. Shaka Kariuki, five (5) non-executive directors, namely: Mrs. Anne Mutahi, Mr. Walé Adeosun, Mr. Kamal Pallan, Mr. Kariithi Njogu, Mr. Wanjuki Muchemi and the Group Chief Executive Officer (GCEO), Mr. Nganga Njiinu.

(a) Directors' emoluments and loans

The aggregate amount of emoluments received by the executive and non-executive directors from the Company during the year ended 31 December 2018 was KShs 35.5 million and KShs 15.6 million (2017- KShs 35.5 million and KShs 8.1 million) respectively as disclosed under Note 29(a).

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, under which Directors acquired benefits by means of acquisition of the Company's shares.

(b) Non-Executive Directors' remuneration

In recognition of their contribution to the Company, non-executive directors receive fees as well as sitting allowances for Board and Committee meetings. The fees are approved by shareholders at Annual General Meetings and is payable on monthly basis. The non-executive directors are not covered by the Company's incentive programs and do not receive performance-based remuneration. No pension contributions are payable on their fees. The Company, however, reimburses travel and accommodation expenses related to attendance at Board meetings. There is in place a travel policy for directors.

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 details of the date of appointment of the current Non-Executive Directors is provided in the table below:

Name	Date of Appointment	Retirement date
Mr. Shaka Kariuki*	28 March 2017	To retire by rotation in 2020 AGM
Mr. Wale Adeosun*	28 March 2017	To retire by rotation in 2019 AGM
Mr. Kamal Pallan*	28 March 2017	To retire by rotation in 2019 AGM
Mr. Kariithi Njogu	28 March 2017	To retire by rotation in 2020 AGM
Mrs. Anne Mutahi	3 July 2017	To retire by rotation in 2021 AGM
Mr. Wanjuki Muchemi	3 August 2017	To retire by rotation in 2021 AGM

**Investor director representing Kuramo Africa Opportunity Kenya Vehicle Limited who is subject to reappointment under Article 106(b) of the Company's Articles of Association.*

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

(c) Executive Directors' remuneration

Executive directors are remunerated in accordance with the staff remuneration policy. Their remuneration package comprises a basic salary, pension and other benefits designed to recognize the contribution, skills and experience of executive directors as shown below.

1. Consolidated basic pay

This is the consolidated base salary paid to the Executive Director.

2. Pension contribution

On a monthly basis, the business contributes 7.5% of basic pay towards pension of the Executive Director.

3. Bonus

Executive Directors are entitled to a performance-based bonus pay. The bonus is paid based on the performance of the business and on existing bonus policy. No Bonus was paid during the year.

4. Medical insurance cover

As per Group and Company's Human Resources policy, Executive Directors, like other employees, are entitled to medical insurance cover for their individual and family medical requirements covering both out-patients and in-patients.

5. Group life assurance cover

As provided to all employees, Executive Directors, are entitled to a death in service benefit. This is payable to beneficiaries of the Executive Director at a maximum of five (5) years annual pay.

During the year, there was no adjustment to the remuneration of the Executive Director. As per the Group and Company policy on employee compensation, 2018 pay will be dependent on the annual performance appraisals conducted in quarter one of the year.

The following amounts were paid to Directors in the year under review

i. Non- Executive Directors' remuneration for the year ended 31 December 2018

Name	Retainer	Sitting allowance	Total
	KShs'000'	**KShs'000'**	**KShs'000'**
Shaka Kariuki	2,571	1,586	4,157
Wale Adeosun	1,486	857	2,343
Kamal Pallan	1,486	949	2,435
Kariithi Njogu	1,486	1,029	2,515
Ann Mutahi	1,486	297	1,783
Wanjuki Muchemi	1,486	891	2,377
Total	**10,001**	**5,609**	**15,610**

DIRECTORS' REMUNERATION REPORT *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2018

ii. Non- Executive Directors' remuneration for the year ended 31 December 2017

Name	Retainer	Sitting allowance	Total
	KShs'000'	**KShs'000'**	**KShs'000'**
Zephaniah Mbugua	786	243	1,029
Dennis Awori	500	300	800
Shaka Kariuki	1,143	400	1,543
Stephen Waruhiu	214	57	271
Wale Adeosun	571	343	914
Kamal Pallan	571	685	1,256
Kariithi Njogu	571	643	1,214
Ann Mutahi	357	229	586
Wanjuki Muchemi	286	171	457
Total	**4,999**	**3,071**	**8,070**

Notes; a) Zephaniah Mbugua retired on 30th June 2017
b) Dennis Awori resigned on 8th June 2017
c) Stephen Waruhiu resigned on 28th June 2017

iii. Executive Directors' remuneration for the year ended 31 December 2018

Name	Basic Pay	Pension	Total
	KShs '000	**KShs '000**	**KShs '000**
Nganga Njiinu	33,000	2,475	35,475

iv. Executive Directors' remuneration for the year ended 31 December 2017

Name	Basic Pay	Pension	Total
	KShs '000	**KShs '000**	**KShs '000**
Nganga Njiinu	33,000	2,475	35,475

By order of the Board

Virginia Ndunge
Secretary

Date: 31 July 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of TransCentury PLC (Group and Company) set out on pages 63 to 157 which comprise the consolidated and company statements of financial position at 31 December 2018, the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements which include 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, 2015 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, 2015, the directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company as at the end of the financial year and of the profit or loss of the Group and Company for that year. It also requires the directors to ensure the Group and Company keeps proper accounting records which disclose with reasonable accuracy the financial position and profit or loss 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, 2015. The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and the Company and of the Group's and Company's profit or loss.

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.

As at 31 December 2018, the directors are aware of the circumstances giving rise to a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and have disclosed that a material uncertainty exists which may cast significant doubt about the Group's and Company's ability to continue as a going concern and that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Consequently, the directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not be a going concern for at least the next twelve (12) months from the date of this statement based on initiatives disclosed in Note 2(f).

Approval of the financial statements.

The consolidated and separate financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 31 July 2019.

______________________________ ______________________________

Shaka Kariuki — Nganga Njiinu

Director — *Director*

Date: 31 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCENTURY PLC

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of TransCentury PLC (the Group and Company) set out on pages 63 to 157, which comprise the consolidated and company statements of financial position as at 31 December 2018, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of TransCentury PLC as at 31 December 2018, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code),* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(f) in the consolidated and separate financial statements, which indicates that during the year ended 31 December 2018, the Group and Company incurred a net loss of KShs 3,503 million and KShs 180 million respectively, and as of that date, the Group's and Company's current liabilities exceeded their current assets by KShs 11,160 million and KShs 386 million respectively. As stated in Note 2(f), these events or conditions, along with other matters as set forth in Note 2(f), indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCENTURY PLC *(Continued)*

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matters (continued)

Valuation of unquoted investments in the consolidated and separate financial statements	
See accounting policy Note 2(e) and 15(b) to the consolidated and separate financial statements	
Key audit matter	**How the matter was addressed**
The valuation of unquoted investments is determined by the Group and Company through application of valuation techniques which involved the use of significant assumptions and judgment by the Group and Company. The judgement and assumptions made include the use of earnings multiple to estimate fair values of investments based on estimated derived from historical data relating to earnings of the investee and comparable companies in the market. The methodology assumes that the earnings multiple assigns an appropriate value to the benchmarked company. Valuation of unquoted investments is a key audit matter due to the estimation uncertainty and significant judgement involved in determination of inputs used in the valuation model.	Our procedures in this area included among others: • Involving our in-house valuation specialists to assist us in evaluating the valuation techniques, assumptions and methodologies used by the Group and Company, in particular, those relating to the cash flow projections, growth rates, terminal values and discount rates and re-performed an independent valuation assessment, considering sensitivities of the fair values to key factors used; • Evaluating the inputs used by the Group and company in determining fair values by agreeing the inputs to supporting source documents and comparing assumptions to the historical trend; • Evaluating the appropriateness of the disclosures made in the financial statements in respect of the fair valuation in line with IFRS 13, Fair Value Measurements

Impairment of trade and other receivables in the consolidated and separate financial statements	
See accounting policy Note 4(h)(i) and Note 18 to the consolidated and separate financial statements	
Key audit matter	**How the matter was addressed**
The group's and the company's trade and other receivables amounted to KShs 2,051 million and 2,095 million respectively. On 1 January 2018 the Group and Company adopted IFRS 9 Financial Instruments resulting in impairment on financial assets being recognised on an expected credit loss (ECL) model rather than the incurred loss mode. Significant judgement is involved in assessing the recoverability of trade receivables and in estimating the impairment allowance required to be recognised against the gross trade receivables. The key areas where we identified greater levels of management judgement and therefore increased audit focus was the determination of historical loss rate and assessment of applicable forward-looking information to determine the ECL. Consequently, we considered this to be a key audit matter in our audit of the consolidated and separate financial statements.	Our procedures in this area included among others: • Evaluating the group's and company's policy for recognising an impairment allowance against the procedures applied by management in raising the impairment allowance to determine the appropriateness of the impairment allowance; • Evaluating accuracy of the provisioning matrix used to compute the historical loss rates; • Performing substantive procedures to evaluate the completeness of the customer accounts included in the impairment calculation; and • Inspecting on a sample basis, the aging of the invoices, subsequent receipts and making inquiry about potential disputes on the invoiced amounts and judgements made on specific impaired.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCENTURY PLC *(Continued)*

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matters (continued)

Recognition of deferred tax asset in the consolidated financial statements	
See accounting policy Note 4(k) and Note 25 to the consolidated financial statements.	
Key audit matter	**How the matter was addressed**
The Group has recognised deferred tax assets of KShs 667 million for deductible temporary differences and unused tax losses that it believes are recoverable. The recoverability of recognised deferred tax assets, is in part, dependent on the group and company's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses before they expire. We determined this to be a key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences and utilisation of tax losses.	Our procedures in this area included among others: • Evaluating the tax computations performed by the Group's tax advisors to assess the recognition and measurement of the current and deferred tax assets and liabilities and evaluate compliance with the relevant tax legislation; • Challenging directors' assumptions used to determine the manner in which the timing differences, including the recoverability of the deferred tax assets that would be realised by comparing assumptions to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans, and minutes of directors' meetings as well as our knowledge of the business; • Evaluating projected cash flows used to determine future table profits which the deferred profits; • Assessing whether the conditions for recognition of deferred tax asset on unutilised tax losses in IAS 12, Income taxes have been met; and • Assessing the adequacy of the Group's disclosure included in Note 25 relating to deferred taxes.

Impairment testing of goodwill in consolidated financial statements	
See accounting policy Note 4(s)(i) and Note 14 to the consolidated financial statements	
Key audit matter	**How the matter was addressed**
Goodwill impairment is a key audit matter because the assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions, particularly those in Mauritius, South Africa and Tanzania where the subsidiaries for which the goodwill relate operate. The process is complex because of key assumptions including estimated sales volumes and prices, operating costs, terminal growth rates and weighted average cost of capital. A small change in the key assumptions used could give rise to an impairment of the goodwill balance in the future.	Our procedures in this area included among others: • Involving our in-house valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue growth and profit margins for Civicon Africa Group Limited, Tanalec Limited and TransCentury Holdings Pty Limited; • Evaluating the performance of the subsidiaries to identify indicators of impairment of goodwill relating to those subsidiaries; • Challenging those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill; and • Assessing the adequacy of the Group's disclosures which included the discount rate used to present value cash flows included in Note 14 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCENTURY PLC *(Continued)*

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matters (continued)

Valuation of investment in subsidiaries in the separate financial statements	
See accounting policy Note 4(b) and note 15(c) to the separate financial statements.	
Key audit matter	**How the matter was addressed**
The Company's investment in subsidiaries is accounted for at fair value. The fair value of investments in subsidiaries is determined by the Company using valuation techniques such as discounted cash flow method, enterprise value to earnings before interest, tax and depreciation multiple. These valuation techniques involve the exercise of significant judgment, use of assumptions and estimates by the directors. Investment in subsidiaries is a key audit matter because of the significance of the amounts involved and the related estimation uncertainty, particularly on the use of unobservable inputs in the valuation.	Our procedures in this area included among others: • Involving our in-house valuation specialists to assist us in evaluating the valuation techniques, assumptions and methodologies used by the Company, in particular, those relating to the cash flow projections, growth rates, terminal values and discount rates used in the valuation model; • Evaluating the methodologies, inputs and assumptions used by the directors in determining fair values by agreeing inputs to supporting source documents and comparing assumptions to historical trends; • Challenging key assumptions used in the valuation model based on our understanding of the company and its subsidiaries which included the discount rate used to present value the cash flows and the projected growth in revenues over the five year project period; and • Evaluating the appropriateness of the disclosures made in the financial statements in respect of the fair valuation in line with IFRS 13 - Fair Value Measurements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Annual Report and Financial Statements 2018* but does not include the Consolidated and Separate financial statements and our auditor's opinion thereon.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCENTURY PLC *(Continued)*

Report on the audit of the consolidated and separate financial statements (continued)

Responsibilities of the directors for the consolidated and separate financial statements

As stated on page 56, the directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSCENTURY PLC *(Continued)*

Report on the audit of the consolidated and separate financial statements (continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

(i) In our opinion, the information given in the report of the directors on page 51 and 52 is consistent with the financial statements;
(ii) In our opinion, the auditable part of the Directors' Remuneration Report has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015; and
(iii) Our report on the annual report financial statements is unqualified

The signing partner responsible for the audit resulting in this independent auditor's report is FCPA Eric Aholi - P/1471.

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

Date: 31 July 2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 KShs'000	2017 KShs'000
Revenue	6(a)	4,247,258	5,659,260
Cost of sales	6(c)	(3,364,961)	(5,018,062)
Gross profit		**882,297**	**641,198**
Other income	6(b)	435,424	52,883
Operating expenses	6(c)	(2,217,154)	(1,915,543)
Loss before depreciation, impairment, contract liability expense and finance costs		**(899,433)**	**(1,221,462)**
Contract liability expense	6(e)	-	(1,512,163)
Impairment losses	6(f)	(599,938)	(272,663)
Depreciation and amortisation	7	(601,897)	(636,940)
Operating loss	**7**	**(2,101,268)**	**(3,643,228)**
Exchange losses	8(a)	(358,095)	(11,418)
Interest expenses	8(b)	(1,198,772)	(1,067,012)
Net finance costs		**(1,556,867)**	**(1,078,430)**
Loss before income tax		**(3,658,135)**	**(4,721,658)**
Income tax credit/(expense)	9(a)	155,512	390,376
Loss for the year		**(3,502,623)**	**(4,331,282)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments at FVOCI – net change in fair value	15(d)	(27,426)	-
Revaluation of property, plant and equipment and prepaid operating lease rental	10 & 13	571,169	720,645
Related tax	9(a)	(166,435)	(216,776)
		377,308	**503,869**
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets	15(d)	-	(21,626)
Re-measurement gain on retirement benefit plan		1,903	-
Deferred Tax effect		(571)	-
Exchange differences on translation of foreign subsidiaries		156,290	(60,574)
		157,622	**(82,200)**
Total other comprehensive income net of income tax		**534,930**	**421,669**
Total comprehensive income for the year		**(2,967,693)**	**(3,909,613)**

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018 *(CONTINUED)*

	Note	2018 KShs'000	2017 KShs'000
Loss after tax is attributable to:			
Equity holders of the company		(2,982,676)	(3,598,187)
Non-controlling interest (NCI)	15(e)	(519,947)	(733,095)
Loss for the year		**(3,502,623)**	**(4,331,282)**
Total comprehensive income for the year is attributable to:			
Equity holders of the company		(2,579,821)	(3,269,877)
Non-controlling interest		(387,872)	(639,736)
Total comprehensive income for the year		**(2,967,693)**	**(3,909,613)**
BASIC AND DILUTED EARNINGS PER SHARE (KShs)	**23(a)**	**(7.95)**	**(10.23)**

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Company Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018 *(CONTINUED)*

	Note	2018 KShs'000	2017 KShs'000
Income			
Revenue	6(a)	177,790	207,947
Other income/(loss)	6(b)	181,852	(125)
		359,642	**207,822**
Operating expenses	6(c)	(280,151)	(318,844)
Profit/(loss) before depreciation, impairment and finance costs		**79,491**	**(111,022)**
Impairment losses	6 (f)	(114,693)	(620,611)
Depreciation and amortisation	7	(1,362)	(3,745)
Results from operating activities	**7**	**(36,564)**	**(735,378)**
Foreign exchange (loss)/gains	8(a)	(73,780)	79,106
Finance cost	8(b)	(80,912)	(76,181)
Net finance (cost)/income		**(154,692)**	**2,925**
Loss before income tax		**(191,256)**	**(732,453)**
Income tax (credit)/expense	9(a)	11,255	(23,100)
Loss for the year		**(180,001)**	**(755,553)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments at FVOCI – net change in Fair value	15(d)	(2,691,451)	-
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets	15(d)	-	(350,745)
Other comprehensive income		**(2,691,451)**	**(350,745)**
Total comprehensive income for the year		**(2,871,452)**	**(1,106,298)**

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

ASSETS	Note	2018 KShs'000	2017 KShs'000
Non-current assets			
Property, plant and equipment	10	6,198,145	7,629,624
Investment property	11	400,245	-
Prepaid operating lease rentals	13	2,468,946	1,398,446
Intangible assets	14	2,839,961	2,865,469
Quoted investments	15(a)	199	175
Unquoted investments	15(b)	313,342	340,608
Deferred tax asset	25(a)	666,640	702,138
		12,887,478	12,936,460
Current assets			
Inventories	17	1,026,307	1,159,177
Trade and other receivables	18	2,050,620	3,358,131
Tax recoverable	9(d)	419,169	382,619
Assets held for sale	12	28,628	639,704
Cash and bank balances	19(a)	255,979	264,873
		3,780,703	5,804,504
TOTAL ASSETS		**16,668,181**	**18,740,964**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	187,601	187,601
Share premium	21	1,873,089	1,873,089
Revenue reserves	22(a)	(8,695,074)	(5,132,661)
Translation reserve	22(b)	448,953	(105,583)
Fair value reserve	22(c)	93,251	120,677
Revaluation reserve	22(d)	2,411,631	2,112,296
Total equity attributable to equity holders of the company		**(3,680,549)**	**(944,581)**
Non-controlling interest	15(e)	375,963	832,548
Total equity		**(3,304,586)**	**(112,033)**

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018 *(CONTINUED)*

LIABILITIES	Note	2018 KShs'000	2017 KShs'000
Non-current liabilities			
Deferred tax liability	25(b)	546,433	654,681
Liability for staff gratuity	26	45,023	41,127
Preference shares	24(b)	909,056	723,861
Bond – non-current portion	24(a)	672,184	553,117
Long term loan – non-current portion	27	2,859,585	2,543,182
		5,032,281	4,515,968
Current liabilities			
Bank overdraft	19(a)	87,549	300,315
Long term loan – current portion	27	5,668,156	5,385,479
Shareholder loan	24(c)	699,021	388,011
Trade and other payables	28	7,276,258	6,770,970
Bond – current portion	24(a)	1,196,692	1,465,830
Tax payable	9(d)	11,858	25,472
Unclaimed dividends		952	952
		14,940,486	14,337,029
Total liabilities		**19,972,767**	**18,852,997**
TOTAL EQUITY AND LIABILITIES		**16,668,181**	**18,740,964**

The financial statements on pages 63 to 157 were approved and authorised for issue by the Board of Directors on 31 July 2019 and were signed on its behalf by:

____
Shaka Kariuki
Director

____
Nganga Njiinu
Director

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Company Statement of Financial Position

AS AT 31 DECEMBER 2018

ASSETS	Note	2018 KShs'000	2017 KShs'000
Non-current assets			
Property and equipment	10	917	1,519
Quoted investments	15(a)	199	175
Unquoted investments	15(b)	286,814	330,236
Investment in subsidiaries	15(c)	7,066,468	9,714,521
Loans to subsidiaries	16	480,436	394,917
Deferred tax asset	25(a)	2,264	2,161
		7,837,098	10,443,529
Current assets			
Trade and other receivables	18	2,094,669	2,006,683
Tax recoverable	9(d)	9,612	-
Cash and bank balances	19(a)	32	1,906
		2,104,313	2,008,589
TOTAL ASSETS		**9,941,411**	**12,452,118**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	187,601	187,601
Share premium	21	1,873,089	1,873,089
Revenue reserves	22(a)	(1,542,392)	(1,362,391)
Fair value reserve	22(c)	5,592,413	8,283,864
Total equity		**6,110,711**	**8,982,163**
Non Current liabilities			
Long term loan – non-current portion	27	1,339,919	1,023,490
Current liabilities			
Long term loan – current portion	27	1,662,161	1,788,100
Tax payable	9(d)	-	13,584
Trade and other payables	28	744,012	643,829
Shareholder loan	24(c)	83,656	-
Unclaimed dividends		952	952
		2,490,781	2,446,465
Total liabilities		**3,830,700**	**3,469,955**
TOTAL EQUITY AND LIABILITIES		**9,941,411**	**12,452,118**

The financial statements on pages 63 to 157 were approved and authorised for issue by the Board of Directors on 31 July 2019 and were signed on its behalf by:

____
Shaka Kariuki
Director

____
Nganga Njiinu
Director

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

2018:	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	Total KShs'000	Non-controlling interest KShs '000	Total equity KShs'000
Balance at 1 January 2018	187,601	1,873,089	2,112,296	(105,583)	120,677	(5,132,661)	(944,581)	832,548	(112,033)
Adjustment on initial application of IFRS 9 (Note 3(b)(i)	-	-	-	-	-	(222,640)	(222,640)	(97,825)	(320,465)
Deferred tax (Note 3(b)(i)	-	-	-	-	-	66,493	66,493	29,112	95,605
Adjusted balance at 1 January 2018	**187,601**	**1,873,089**	**2,112,296**	**(105,583)**	**120,677**	**(5,288,808)**	**(1,100,728)**	**763,835**	**(336,893)**
Total comprehensive income for the year net of tax									
Loss for the year	-	-	-	-	-	(2,982,676)	(2,982,676)	(519,947)	(3,502,623)
Other comprehensive income									
Remeasurement of defined benefit plan	-	-	-	-	-	293	293	1,610	1,903
Deferred tax on remeasurement	-	-	-	-	-	(87)	(87)	(484)	(571)
Revaluation of leases, property, plant and equipment	-	-	414,679	-	-	-	414,679	156,490	571,169
Deferred tax on revaluation	-	-	(121,651)	-	-	-	(121,651)	(44,784)	(166,435)
Exchange differences	-	-	-	137,047	-	-	137,047	19,243	156,290
Net change in fair value of Equity instruments at FVOCI	-	-	-	-	(27,426)	-	(27,426)	-	(27,426)
Transfer from translation reserves*	-	-	-	423,796	-	(423,796)	-	-	-
Total other comprehensive income	**-**	**-**	**293,028**	**560,843**	**(27,426)**	**(423,590)**	**402,855**	**132,075**	**534,930**
Total comprehensive income	**-**	**-**	**293,028**	**560,843**	**(27,426)**	**(3,406,266)**	**(2,579,821)**	**(387,872)**	**(2,967,693)**
Transactions with owners of the Company									
Transfer from revaluation*	-	-	6,307	(6,307)	-	-	-	-	
Total transactions with owners of the company	**-**	**-**	**6,307**	**(6,307)**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2018	**187,601**	**1,873,089**	**2,411,631**	**448,953**	**93,251**	**(8,695,074)**	**(3,680,549)**	**375,963**	**(3,304,586)**

* Relates to translation difference recognised on historical reserves for foreign denominated subsidiaries

The notes set out on pages 75 to 157 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018 *(CONTINUED)*

2017:	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	Total KShs'000	Non-controlling interest KShs '000	Total equity KShs'000
Balance at 1 January 2017	140,713	621,177	1,698,847	(77,341)	142,303	(1,499,203)	1,026,496	1,472,284	2,498,780
Total comprehensive income for the year net of tax									
Loss for the year	-	-	-	-	-	(3,598,187)	(3,598,187)	(733,095)	(4,331,282)
Other comprehensive income									
Revaluation of leases, property, plant and equipment	-	-	582,172	-	-	-	582,172	138,473	720,645
Deferred tax on revaluation	-	-	(178,048)	-	-	-	(178,048)	(38,728)	(216,776)
Exchange differences	-	-	-	(54,188)	-	-	(54,188)	(6,386)	(60,574)
Net change in fair value of available-for-sale financial assets	-	-	-	-	(21,626)	-	(21,626)	-	(21,626)
Transfer from translation reserves	-	-	-	35,536	-	(35,536)	-	-	-
Total other comprehensive income	**-**	**-**	**404,124**	**(18,652)**	**(21,626)**	**(35,536)**	**328,310**	**93,359**	**421,669**
Total comprehensive income	**-**	**-**	**404,124**	**(18,652)**	**(21,626)**	**(3,633,723)**	**(3,269,877)**	**(639,736)**	**(3,909,613)**
Transactions with owners of the Company									
Issue of additional shares	46,888	-	-	-	-	-	46,888	-	46,888
Share premium from issue of shares	-	1,251,912	-	-	-	-	1,251,912	-	1,251,912
Transfer from revaluation	-	-	9,325	(9,590)	-	265	-	-	-
Total transactions with owners of the company	**46,888**	**1,251,912**	**9,325**	**(9,590)**	**-**	**265**	**1,298,800**	**-**	**1,298,800**
Balance at 31 December 2017	**187,601**	**1,873,089**	**2,112,296**	**(105,583)**	**120,677**	**(5,132,661)**	**(944,581)**	**832,548**	**(112,033)**

The notes set out on pages 75 to 157 form an integral part of the financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

2018:	Share capital KShs '000	Share premium KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Total KShs'000
Balance at 1 January 2018	187,601	1,873,089	8,283,864	(1,362,391)	8,982,163
Loss for the year	-	-	-	(180,001)	(180,001)
Other comprehensive income for the year					
Net change in equity instruments at FVOCI	-	-	(2,691,451)	-	(2,691,451)
Total comprehensive income	**-**	**-**	**(2,691,451)**	**-**	**(2,691,451)**
Balance as at 31 December 2018	**187,601**	**1,873,089**	**5,592,413**	**(1,542,392)**	**6,110,711**

The notes set out on pages 75 to 157 form an integral part of the financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017 *(CONTINUED)*

2017:	**Share capital KShs '000**	**Share premium KShs '000**	**Available for sale reserve KShs '000**	**Revenue reserves KShs '000**	**Total KShs'000**
Balance at 1 January 2017	140,713	621,177	8,634,609	(606,838)	8,789,661
Loss for the year	-	-	-	(755,553)	(755,553)
Other comprehensive income for the year					
Net change in fair value of available-for-sale financial assets	-	-	(350,745)	-	(350,745)
Total comprehensive income	**-**	**-**	**(350,745)**	**-**	**(350,745)**
Transactions with owners of the Company					
Issuance of new shares/conversion of bond	46,888	1,251,912	-	-	1,298,800
Balance as at 31 December 2017	**187,601**	**1,873,089**	**8,283,864**	**(1,362,391)**	**8,982,163**

The notes set out on pages 75 to 157 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 KShs'000	2017 KShs'000
Net cash flows from operating activities			
Loss before taxation		(3,658,135)	(4,721,658)
Adjustment for non-cash items		1,882,977	834,570
Operating loss before working capital changes		**(1,775,158)**	**(3,887,088)**
Working capital changes:			
Trade and other receivables, net of IFRS 9 day 1 adjustment		726,691	376,479
Inventories, net of provision for obsolete stock		126,814	106,046
Trade and other payables	19(b)	505,288	1,870,042
Provision for staff gratuity	26	7,314	4,648
Cash (used) in/generated from operations		**(409,051)**	**(1,529,873)**
Income tax paid	9(d)	(42,737)	(28,676)
Gratuity paid	26	(2,086)	(5,392)
Dividends returned		-	708
Net cash flows (used) in/from operating activities		**(453,874)**	**(1,563,233)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(94,085)	(129,411)
Purchase of intangible assets	14(a)	(2,042)	(299)
Proceeds from disposal of property, plant and equipment		97,803	46,221
Net cash flows used in investing activities		**1,676**	**(83,489)**
Cash flows from financing activities			
Proceeds from loans and borrowing	27	1,371,617	2,631,303
Repayment of loans and borrowing	27	(772,537)	(1,018,255)
Interest paid on convertible bond	24	-	(40,634)
Net movement in shareholder loans	24(c)	311,010	388,011
Partial settlement of convertible bond	24(a)	(253,226)	(153,030)
Net cash flows from financing activities		**656,864**	**1,807,395**
Net increase in cash and cash equivalents		**204,666**	**160,673**
IFRS 9 day 1 adjustment in cash and bank Balances	3(b)(ii)	(794)	-
Cash and cash equivalents at 1 January	19(a)	(35,442)	(196,115)
Cash and cash equivalents at 31 December	**19(a)**	**168,430**	**(35,442)**

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 KShs'000	2017 KShs'000
Net cash flows from operating activities			
Loss before taxation		(191,256)	(732,453)
Adjustment for non-cash items		41,209	28,123
Operating loss before working capital changes		**(150,047)**	**(704,330)**
Working capital changes:			
Trade and other receivables	19(b)	(87,986)	(57,271)
Trade and other payables		100,183	115,292
Loans to related parties		(85,519)	461,803
Cash (used in)/generated from operations		**(223,369)**	**(184,506)**
Dividends received		-	-
Dividends returned		-	708
Income tax paid	9(d)	(12,044)	(7,867)
Net cash flows (used in)/generated from operating activities		**(235,413)**	**(191,665)**
Cash flows from investing activities			
Purchase of property and equipment	10	(760)	(590)
Proceeds from disposal of property and equipment		-	5
Net cash flows (used in)/generated from investing activities		**(760)**	**(585)**
Cash flows from financing activities			
Net movement in shareholder loans	24(c)	83,656	-
Net movement in bank loans	27	190,490	217,226
Interest received		41,065	51,929
Interest paid	8(b)	(80,912)	(76,181)
Net cash flows generated from/(used in) financing activities		**234,299**	**192,974**
Net decrease in cash and cash equivalents		**(1,874)**	**724**
Cash and cash equivalents at 1 January	19(a)	1,906	1,182
Cash and cash equivalents at 31 December	**19(a)**	**32**	**1,906**

The notes set out on pages 75 to 157 form an integral part of these financial statements.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1. REPORTING ENTITY

TransCentury PLC is a limited liability company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The consolidated financial statements of the Company as at and for the year ended 31 December 2018 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
PO Box 42334
00100 Nairobi GPO

Where reference is made in the accounting policies to Group or Company it should be interpreted as being applicable to the consolidated or separate 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, 2015.

For Kenyan Companies Act, 2015 reporting purposes in these financial statements, the profit and loss is presented by the statement of profit or loss and other comprehensive income and the balance sheet by the statement of financial position.

This is the first set of the Group's and Company's financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been adopted. Changes to significant accounting policies are discussed in Note 3.

(b) Basis of measurement

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

- Equity instruments (quoted and unquoted investments) measured at FVOCI;
- Investment property is measured at fair value;
- Certain items of property, plant and equipment are measured at revalued amounts; and
- Investments in subsidiaries (separate financial statements) are measured at FVOCI.

(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 (KShs'000) 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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 4 (b)(ii)). Judgement is also made during acquisition of subsidiaries where fair value is measured on a provisional basis.

(ii) Revenue recognition

IFRS 15 – Revenue from Contracts with Customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of the transfer of control, at a point in time or over time require judgement.

(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 4 (f)).

(iv) Employee benefits

Certain assumptions are made when estimating employee benefits liabilities under gratuity schemes (note 4 (j)).

(v) Taxation

Recognition of deferred tax assets requires assessment of future taxable profits against which carry forward tax losses can be used (Note 4 (k)).

(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 and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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 Group Chief Executive Officer (GGCEO). 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 than 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 where no active market exists, the Group uses the Discounted Cash flow method (DCF). The discounted cash flow method is used over market multiples because it is systematically affected by market inefficiencies and capital structure differences. The DCF method also considers management views on the business' full potential.

Valuation of quoted investments

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

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Continued)

(e) Measurement of fair values (continued)

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.

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

The Group and Company incurred a loss of KShs 3,503 million and KShs 180 million respectively during the year ended 31 December 2018 (2017 – Group KShs 4,331 million, Company KShs 756 million), and as of that date, the Group's and Company's current liabilities exceeded its current assets by KShs 11,160 million and KShs 386 million respectively (2017- Group KShs 8,533 million and KShs 438 million). In addition, the Group total liabilities exceeded its total assets by KShs 3,305 million (2017 – KShs 112 million) respectively.

These events and conditions indicate that a material uncertainty exist that may cast significant doubt on the Group's and Company's ability to continue as a going concern, and therefore the Group and Company may be unable to realize their assets and discharge their liabilities in the normal course of business.

The Group and Company have put in place the following initiatives to ensure that they meet their obligations as and when they fall due:

(i) Governance and leadership

The Group and Company continue its tremendous effort to improve the corporate governance and leadership both at the holding company level and the operating units.

During the year, the Group Board immediately started the journey of implementing the Corporate Governance & Organisation structure which had been approved in February 2018. The implementation involved the following:

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

(i) Governance and leadership (continued)

- Reconstitution of the Boards at the Subsidiary level to bring in independence and requisite expertise in the operating units
- Alignment of the reporting structure aimed at achieving accountability, performance management and graduated approval matrix
- Monitoring of reserved matters for the Group, as the majority shareholder in the operating units on the following key areas;

  » Capital structure (Equity and Debt)
  » Appointment of executive management
  » Capital allocation

(ii) Capital optimisation

The Group has made good progress on the ways of optimizing the capital structure which involves debt refinancing and raising of additional equity into the business to be utilized to recapitalize the existing businesses and funding the growth & expansion.

In the last three (3) years, the Group has faced major liquidity challenges that have created an obstacle in capitalizing on the exceptional opportunities it has created through commercial initiatives. This has also led to underutilization of the existing capacity in the businesses and consequently negatively affecting the revenues.

In an effort to resolve this key challenge, the Group initiated a 4 step turnaround process that focused on delivering a robust and fundable order book, debt reprofiling to match cash flows, fundraising and order book execution. The Group has successfully restructured a significant portion of the debt to reduce the short term debt burden as noted below.

(iii) Debt restructuring

Following the completion of debt restructure process at the Company level and at Civicon Africa Group Limited in the 1st half of 2018, the Group further completed the process at Tanelec Limited in July 2018. Thereafter the Group have recently completed the first phase of debt restructure at EAC Group which formed the significant portion of Group's debt. The group continiously looks for opportunity to optimize it's capital structure and this remains a focus area going forward.

Having substantially completed the debt restructuring process, the Group has now focused its attention on equity fundraising process and has immediately embarked on a process of selecting a transaction adviser to drive the process. The equity fundraising process is subject to shareholders and regulatory approvals and is expected to be completed by end of the year.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

(iii) Debt restructuring (continued)

As disclosed in Note 27 and 34, the Group negotiated for a full and final settlement with majority lenders at its subsidiary, East African Cables Plc which reduced the total debt by KShs 1.6 billion. The remaining debt amounting to KShs 1.6 billion was taken over by a new lender and restructured to a tenor of ten (10) years with moratorium of six (6) months and twenty-four (24) months on interest and principal respectively. The Group also, through its subsidiary Civicon Limited renegotiated its maturing obligations with Equity Bank Kenya Limited to a new banking facility for a tenor of seven (7) years with twelve (12) months moratorium on principal repayments. As disclosed in the statement of cashflows on page 51 and Note 24(a), the Group made part settlement of KShs 253 million to the bondholders.

(iv) Business potential

The Group and Company continue to focus on order book generation to ensure the business has enough future revenues to be able to repay the current debt and grow the business. There were significant wins during the year such as the Kenya National Highways Authority (KeNHA) weighbridge management contract at AEA Limited worth KShs 2.6 Billion and several contracts by the utilities in Tanzania. The Group closed the year with a contracted order book of USD 140 million which will be executed within the next eighteen (18) months. This doesn't include potential retail business which has historically constituted over 50% of the Group's business. We expect that a significant portion of this order book will be delivered in the short-term following the substantial completion of the debt restructuring process.

(v) Group Strategic plan (2018-2022)

The Group has embraced on a strategic process to provide a strategic framework expected to steer the operating units and Group (as a whole) towards growth in the next five (5) years. It is a clear roadmap with a focus on business performance, brand enhancement, developing world class systems and structures as well as financial sustainability. The overarching objective of the strategy is to deliver consistent, sustainable, attractive returns to the shareholders, through transformative and innovative investments, and in return attract the right investment opportunity, capital, partners and talent.

(vi) Disposal of non- operating assets

Despite the low activity in the property market, the Group is still focused on disposing off its non-operating assets in order to improve liquidity and reduce the debt burden both at the Group and in the operating units. There are several properties that have already been earmarked for disposal in Kenya, Tanzania, Zambia and South Africa and the Group has contracted property agents to market and assist in sale of the properties. This process is geared towards achieving lean operations and is expected to generate cashflow to improve the working capital of the business thereby unlocking the value of excess assets in the operating units and improving return on capital deployed. In addition to assets held for sale disclosed in Note 12, the Group is in the process of evaluating additional assets for disposal.

(vii) Other initiatives at operating units (Subsidiaries)

Additional initiatives have been put in place at operating units to ensure the businesses meet their obligations as and when they fall due. These include:

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

Stringent working capital management:

The Group has in the past two (2) years put measures to optimise its working capital by revising its customer credit policy, adopting a just-in-time inventory system and overall cost management. These initiatives have resulted to the following achievements across the Group:

Receivables management

Timely collection of outstanding receivables remains a critical log in generating cash inflows to procure raw materials and continue with production in the operating units. The Group and Subsidiaries management continue to invest significant amount of time and efforts towards collection of both performing and non-performing receivables in order to meet the maturing business obligations.

During the year, the Group continued taking severe measures to recover delinquent debts such as taking defaulting debtors to court to obtain favourable court decrees to recover the overdue debt. The Group also deliberately continued to apply mediation approach to resolve the long outstanding contract issues. Through this process the Group recovered KShs 727 million which was released to working capital for the business.

Optimisation of cash conversion cycle

The Group continued utilizing its brand position and strong relations with the customers to obtain down-payments, letters of credit and other instruments to fund critical raw materials. This has reduced reliance on funded working capital financing from banks by converting the required working capital facilities to non-funded facilities since the cash conversion cycle is shorter than the supplier credits.

(vii) Other initiatives at operating units (Subsidiaries) - continued

Enhanced partnership with key suppliers

The Group continues to maintain conducive trading terms from its key suppliers of raw materials. This initiative has enabled the business to maintain continued flow of raw materials to serve its customer base especially during the difficult period of working capital constraints. Innovative working capital management solutions to secure credit from suppliers such as Letters of Credit (LCs) have been instrumental in managing the cashflow situation with suppliers and the Group's bankers have been supporting of this initiative. This ensures that the timing for supplier payments is deferred until such a point that the collections from the client has been received improving the working capital cycle.

Assignment of projects with adverse cashflows and steep cash requirements

The Group, through Civicon Limited deliberately decided to isolate some projects with potential large risk due to their negative cash position in the early stages. To mitigate the reputation risk, management initiated a process of constructively engaging the affected clients to have these projects assigned to other contractors at commissions equal or more than the advance payment guarantee exposure and as well avoid the risk posed by the performance bonds. The assignment resulted into a net gain of USD 6 million for the Group which is expected to impact the books in the next two (2) years.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

(vii) Other initiatives at operating units (Subsidiaries) - continued

Efficiency improvement through implementation of Total Performance Management (TPM)

Through implementation of lean manufacturing processes across the Group's manufacturing businesses coupled with deliberate efforts to cut costs, there has been significant reduction in material waste and scrap, power consumption and overall costs.

Consequently, this contributed to improvement in gross margins for the Group from 11% recorded in 2017 to 21% in 2018.

The Group has demonstrated ingenuity with in-house solutions to managing costs and increasing efficiency across the manufacturing plants. In our transformer factory in Arusha, Tanzania, there was a remarkable improvement in product failure at final testing from 2.13% to 1.63% failure rate out of a total production of more than 2,000 transformers in 2018.

The Group has also retained its enhanced capacity of highly skilled and competent personnel to drive strategy and operations. It has maintained high performance culture through injection of fresh ideas which has led to the development and maintenance of a strong order book and delivery of the awarded contracts. Our technical teams continue to be credited by participating in key landmark projects such as Last Mile Connectivity by the Government of Kenya, Software upgrade and introduction of High-Speed Weighing in Motion solutions for axle load control by Kenya National Highway Authority (KENHA) and Olkaria Geothermal Power Development by Kengen. Following the increased capacity in 2015 resulting in triple throughput capacity in East African Cables' three (3) factories, the business has been strategically positioned to exploit the opportunities emerging in the region.

Positively, the factories will not need discretionary capital expenditure over the next five (5) years. This means that any new external funding and internally generated funds will be utilized to optimize working capital requirements. In the current state of the business, all inflows are best utilized by ploughing back to working capital to alleviate cash-flow constraints.

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 consolidated and separate financial statements. The consolidated and separate 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group and Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group and Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

(a) IFRS 15 Revenue for contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Group and Company applied IFRS 15 on 1 January 2018 using the modified retrospective approach in which the cumulative effect of initially applying this Standard is recognised at the date of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2018 without restating comparative periods. The adoption of IFRS 15 did not significantly impact the timing or amount of revenue and add on costs on sale of products and the related assets and liabilities recognised by the Group and company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

(b) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

(i) Day 1 adjustments and impact of adopting IFRS 9 on retained earnings at 1 January 2018

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening retained earnings.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) IFRS 9 Financial instruments (continued)

(i) Day 1 adjustments and impact of adopting IFRS 9 on retained earnings and related balances at 1 January 2018 – continued

	31 December 2017 as reported KShs '000	Impact of IFRS 9 (expected loss impairment) KShs '000	1 January 2018 Revised for IFRS 9 KShs '000
Group			
Assets			
Trade and other receivables	3,358,131	(319,671)	3,038,460
Cash and cash equivalents	264,873	(794)	264,079
Deferred tax	702,138	95,605	797,743
	4,325,142	**(224,860)**	**4,100,282**
Equity			
Retained earnings	(5,132,661)	(156,147)	(5,288,808)
Non-controlling interest	832,548	(68,713)	763,835
	(4,300,113)	**(224,860)**	**(4,524,973)**

(ii) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three (3) principal classification categories for financial assets: measured at amortised cost, Fair Value Through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's and Company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's and Company's financial assets and financial liabilities as at 1 January 2018.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) IFRS 9 Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities – continued

Consolidated

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Adjustment	New carrying amount under IFRS 9
Financial assets		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Quoted investments	15(a)	Available for sale	FVOCI-equity instruments	175	-	175
Unquoted investments	15(b)	Available for sale	FVOCI-equity instruments	340,608	-	340,608
Trade and other receivables	18	Loans and receivables	Amortised cost	3,358,131	(319,671)	3,038,460
Cash and bank balances	19(a)	Loans and receivables	Amortised cost	264,873	(794)	264,079
Total financial assets at 1 January 2018				**3,963,787**	**320,465**	**3,643,322**
Financial liabilities						
Long term loans	27	Other financial liabilities	Other financial liabilities	7,928,661	-	7,928,661
Preference shares	24(b)	Other financial liabilities	Other financial liabilities	723,861	-	723,861
Bond	24(a)	Other financial liabilities	Other financial liabilities	2,018,947	-	2,018,947
Bank Overdraft	19(a)	Other financial liabilities	Other financial liabilities	300,315	-	300,315
Shareholders' loan	24(c)	Other financial liabilities	Other financial liabilities	388,011	-	388,011
Trade and other Payables	28	Other financial liabilities	Other financial liabilities	6,770,970	-	6,770,970
Unclaimed dividends		Other financial liabilities	Other financial liabilities	952	-	952
Total financial liabilities at 1 January 2018				**18,131,717**	**-**	**18,131,717**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) IFRS 9 Financial instruments (continued)

(ii) Classification and measurement of financial assets and financial liabilities – continued

Company

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Adjustment	New carrying amount under IFRS 9
		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets						
Quoted investments	15(a)	Available for sale	FVOCI-equity instruments	175	-	175
Unquoted investments	15(b)	Available for sale	FVOCI-equity instruments	330,236	-	330,236
Trade and other receivables	18	Loans and receivables	Amortised cost	2,006,683	-	2,006,683
Loans to subsidiary	16	Loans and receivables	Amortised cost	394,917	-	394,917
Cash and cash equivalents	19(a)	Loans and receivables	Amortised cost	1,906	-	1,906
Total financial assets at 1 January 2018				**2,733,917**	-	**2,733,917**
Financial liabilities						
Long term loans	27	Other financial liabilities	Other financial liabilities	2,811,590	-	2,811,590
Trade and other payables	28	Other financial liabilities	Other financial liabilities	643,829	-	643,829
Unclaimed dividends		Other financial liabilities	Other financial liabilities	952		952
Total financial liabilities at 1 January 2018				**3,456,371**	**-**	**3,456,371**

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. There was no change in classification of financial liabilities, as all remained under "other financial liabilities.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated and separate 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

Revenue from sale of goods and provision of services is recognized in the profit or loss when the control over goods or services has been transferred to the buyer, the customer has accepted the product and recoverability of the related receivables is reasonably assured. Revenue represents the fair value of the consideration receivable for sale of goods and provision of services, and is stated net of value-added tax (VAT), rebates, returns and discounts.

Policy applicable from 1 January 2018

The Company has applied IFRS 15 Revenue from Contracts with Customers as required. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- 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
- Recognise revenue when (or as) the entity satisfies a performance obligation

The Company satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.
- For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

When the Company satisfied a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Policy applicable before 1 January 2018

Revenue from sale of goods and provision of services is recognized in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, the customer has accepted the product and recoverability of the related receivables is reasonably assured. Revenue represents the fair value of the consideration receivable for sale of goods and provision of services, and is stated net of value-added tax (VAT), rebates, returns and discounts.

Revenue is recognised in the income statement to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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:

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(ii) Subsidiaries (continued)

Subsidiary	Country of incorporation	2018 %	2017 %
Cable Holdings Kenya Limited	Kenya	100	100
East African Cables PLC	Kenya	68.4	68.4
East African Cables Tanzania Limited	Tanzania	35.2	35.2
AEA Limited	Kenya	94.4	94.4
TransCentury Holdings (Pty) Limited	South Africa	100	100
Kewberg Cables & Braids Proprietary South Africa Limited	South Africa	100	100
Tanalec Limited	Zambia	56	56
Tanelec Zambia 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	83.5	83.5
Civicon DRC Holdings Limited	Mauritius	100	100
Cableries du Congo Sarl	Democratic Republic of Congo	100	100

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

(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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(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 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. 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 (3) years, and the resulting surplus is recognised in Other Comprehensive Income (OCI) and accumulated in equity under the revaluation reserve. 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 at every reporting date 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group and Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group and Company assumes that the credit risk on a financial asset has increased significantly if it is more than ninety (90) days past due.

The Group and Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than ninety (90) days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the twelve (12) months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve (12) months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment (continued)

(i) Non-derivative financial assets – continued

Policy applicable from 1 January 2018 – continued

Financial instruments and contract assets – continued

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at Fair Value Through Other Comprehensive Income (FVOCI) are credit-impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than ninety (90) days past due;
- the restructuring of a loan or advance by the Company on terms that the Group and Company would not consider otherwise;
- t is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in Other Comprehensive Income (OCI).

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment (continued)

(h) Impairment (continued)

(i) Non-derivative financial assets – continued

The Group and Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at Fair Value Through Profit or Loss (FVTPL) were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cashflows from a group of financial assets.

(ii) Non-financial assets

The carrying amounts of the Group's and Company'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 and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. 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) Employee benefits

(i) Defined contribution plans

Some employees of the Group and Company 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 PLC, Tanelec Limited and Civicon Limited are eligible to gratuity upon retirement based on the terms stipulated in the respective Collective Bargaining Agreements (CBAs). A provision 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 and Company 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

(l) 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.

(m) Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction to equity. Any premium received over and above the par value of the shares is classified as "share premium" in equity.

(n) Earnings per share

The Group and Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Related party transactions

The Group and Company 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.

(p) 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments

Financial instruments include balances with banks, trade and other receivables, balances due from and to related parties as well as trade and other payables.

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

A financial instrument is a contract that gives rise to both a financial asset for one enterprise and a financial liability of another enterprise.

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group and Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group and Company's management;

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018 (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018 (continued)

Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
    - » held for trading;
    - » derivative hedging instruments; or
    - » designated as at FVTPL.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(r) Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution than through continuing use are classified as held for sale or distribution. Immediately before classification as held for sale or distribution the assets or components of a disposal group are measured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale or distribution, assets are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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.

(u) Comparatives

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

(v) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018 and have not been applied in preparing these financial statements. The Group and Company does not plan to adopt these standards early. These are summarised below;

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Those not expected to have a significant impact on the financial statements of the Group and Company

Standard	Effective date
• IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
• IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
• Annual improvements cycle (2015-2017)	1 January 2019
• IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
• IFRS 3 Definition of a Business	1 January 2020
• Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020
• Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
• IFRS 17 Insurance Contracts	1 January 2022
• Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	To be determined

(ii) Those expected to have a significant impact on the financial statements of the Group and Company

- 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:

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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New standards, amendments and interpretations not yet adopted (continued)

(ii) Those expected to have a significant impact on the financial statements of the Group and Company (Continued)

- IFRS 16: Leases(Continued)

(a) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and

(b) 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 and Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

- IFRIC 23 Clarification on accounting for Income Tax Exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New standards, amendments and interpretations not yet adopted (continued)

(ii) Those expected to have a significant impact on the financial statements of the Group and Company (continued)

- IFRIC 23 Clarification on accounting for Income Tax Exposures (continued)

The entity will also need to provide disclosures, under existing disclosure requirements, about;

(a) judgments made;
(b) assumptions and other estimates used; and
(c) potential impact of uncertainties not reflected.

The new Standard is effective for annual periods beginning on or after 1 January 2019.

The Group and Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

- IAS 1 and IAS 8 Definition of Material

The amendment includes the concept of 'obscuring' to the definition, alongside the existing references to 'omitting' and 'misstating'. Additionally, the amendments also adds the increased threshold of 'could influence' to 'could reasonably be expected to influence' as below.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

However, the amendment has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier.

The Group and Company is assessing the potential impact on its financial statements resulting from the application of the refined definition of materiality.

5. 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Overview (continued)

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 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Loans to subsidiaries (Note 16)	-	-	480,436	394,917
Trade receivables (Note 18)	1,450,781	2,358,042	-	-
Staff debtors (Note 18)	7,655	5,613	-	342
Due from related parties (Note 18)	-	-	1,979,969	1,989,533
Bank balances (Note 19)	253,718	264,009	32	1,852
	1,712,154	**2,627,664**	**2,460,437**	**2,386,644**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

Impairment losses

The ageing of trade receivables and amounts due from and loans to related parties at the reporting date was:

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Not past due	639,349	834,172	200,561	103,292
Past due 0-90 days	450,661	375,665	126,406	13,148
Past due 91-365 days	298,134	546,485	49,662	1,295,417
More than one year	2,033,111	2,116,942	2,057,967	936,667
	3,421,255	3,873,264	2,434,596	2,348,524
Net impairment	(1,970,474)	(1,515,222)	(454,627)	(358,991)
	1,450,781	**2,358,042**	**1,979,969**	**1,989,533**

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.

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

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Balance at 1 January	1,515,222	1,316,075	882,914	262,303
Impairment losses				
- trade and other receivables	261,149			
- prepayments & deposits	-	272,663	14,773	-
- due to related parties	-	-	-	(4,344)
-due from related parties	-	-	95,636	96,688
-intercompany loans	-	-	4,284	528,267
Sub-Total	**261,149**	**272,663**	**114,693**	**620,611**
Day 1 IFRS 9	319,671	-	-	-
Bad debts w/o	-	-	-	-
Bad write back	(125,568)	(73,516)	-	-
Balance at 31 December	**1,970,474**	**1,515,222**	**997,607**	**882,914**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group and Company 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 and Company has access to a diverse funding base. Funds are raised mainly from its shareholders, strategic investors, banks and its own internal resources.

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

The Group and Company 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 and Company 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:

Consolidated

2018:

KShs'000	Due on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities:					
Long term loans	-	5,396,470	271,686	2,859,585	8,527,741
Interest payable on loans	370,934	93,430	205,341	1,053,178	1,722,883
Preference shares	-	-	-	909,056	909,056
Bond	-	-	1,196,692	672,184	1,868,876
Bank overdraft	87,549	-	-	-	87,549
Shareholder loan	-	-	699,021	-	699,021
Trade and other payables	7,276,258	-	-	-	7,276,258
Unclaimed dividends	-	952	-	-	952
Total financial liabilities	**7,735,693**	**5,489,900**	**2,372,740**	**5,494,003**	**21,092,336**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

2017:

KShs'000	Due on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities:					
Liabilities:					
Long term loans	-	4,093,233	1,292,246	2,543,182	7,928,661
Interest payable on loans	-	212,128	406,229	411,970	1,030,327
Preference shares	-	-	-	723,861	723,861
Bond	777,645	166,970	521,215	553,117	2,018,947
Bank overdraft	300,315	-	-	-	300,315
Shareholder loan	-	-	388,011	-	388,011
Trade and other payables	6,770,970	-	-	-	6,770,970
Unclaimed dividends	-	952	-	-	952
Total financial liabilities	**7,849,882**	**4,472,331**	**2,607,701**	**4,232,130**	**19,162,044**

Company

2018:

KShs'000	Due on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities:					
Long term loans	-	1,662,161	-	1,339,919	3,002,080
Shareholder loan	-	-	83,656	-	83,656
Interest payable on loans	301,891	50,909	77,777	180,585	611,162
Trade and other payables	744,012	-	-	-	744,012
Unclaimed dividends	952	-	-	-	952
Total financial liabilities	**1,046,855**	**1,713,070**	**161,433**	**1,520,504**	**4,441,862**

2017

KShs'000	Due on demand	1 - 3 months	3 - 12 months	1 - 5 years	Total
Long term loans	576,073	1,212,027	-	1,023,490	2,811,590
Interest payable on loans	-	-	301,891	309,271	611,162
Trade and other payables	643,829	-	-	-	643,829
Unclaimed dividends	952	-	-	-	952
Total financial liabilities	**1,220,854**	**1,212,027**	**301,891**	**1,332,761**	**4,067,533**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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 and Company 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 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Loans to subsidiaries	-	-	480,436	394,917
Cash and bank balances	7,314	31,322	32	1,906
Unquoted investments	313,342	340,608	286,814	330,236
Due from related parties	-	-	1,802,834	1,597,390
Due to related parties	-	-	(425,762)	(428,228)
Preference shares	(909,056)	(723,861)	-	-
Bond	(1,868,876)	(2,018,947)	-	-
Bank overdraft	(87,549)	(300,315)	-	-
Bank loans	(8,527,741)	(7,928,661)	(2,426,007)	(2,235,517)
Net statement of financial position exposure	**(11,072,566)**	**(10,599,854)**	**(281,653)**	**(339,296)**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2018 KShs	2017 KShs	2018 KShs	2017 KShs
USD	101.85	103.23	101.29	103.40
TShs	22.58	21.54	22.48	21.70
ZAR	7.08	8.35	7.69	7.77

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 2017:

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

	Profit or loss	
	Consolidated	Company
	KShs'000	KShs'000
At 31 December 2018	**1,107,257**	**28,165**
At 31 December 2017	**1,059,985**	**33,930**

(ii) Interest rate risk

The Group's and Company'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 (%)		2018	2017
Consolidated	**2018**	**2017**	**KShs'000**	**KShs'000**
Bank loans	10.51%	12.11%	8,527,741	7,928,661
Bond	8.00%	8.00%	1,868,876	2,018,947
Bank overdraft	10.14%	11.64%	87,549	300,315
Shareholder loan	7.0 %	7.0 %	699,021	388,011
			11,183,187	**10,635,934**
Company				
Bank loans	10.0 %	10.0 %	3,002,080	2,811,590
Shareholder loan	7.0 %	7.0 %	83,656	-
			3,085,736	**2,811,590**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. 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 2018 KShs	Consolidated 2017 KShs	Company 2018 KShs	Company 2017 KShs
Bank loans	852,774	792,866	300,208	281,160
Others	265,545	270,728	8,366	-
	1,118,319	**1,063,594**	**308,574**	**281,160**

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 and shareholder loan are fixed at 8% and 7% respectively 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 quoted equity financial instruments at the Nairobi Securities Exchange (NSE). The fair values of quoted investments have been disclosed at Note 15(a).

Sensitivity analysis to equity price risk

A 10 percentage point increase of prices at the NSE would have increased equity by KShs 13,930 (2017 - KShs 12,250) 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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.

(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
Unquoted 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% and Enterprise Value (EV)/ Net Asset Value (NAV) multiple of 0.63x (2017,1.0)	• Increase/(decrease) in marketability discount results in (decrease)/ increase in the fair value of the investment • Increase/ (decrease) in the EV/NAV multiple results in an increase/ (decrease) in the fair value of the investment.
Unquoted investments	• Mwangaza Limited – The Price to Book multiple approach valuation technique was used.	Marketability discount of 10% and Enterprise Value (EV)/Revenue of 1.4x (2017 – 1.0) Enterprise Value (EV)/ Net Asset Value (NAV) multiple 2.15x (2017, 2.6x).	• Increase/ (decrease) in marketability discount results in a (decrease)/ increase in the fair value of the investment. • Increase/ (decrease) in the EV/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 2018 and 31 December 2017 is as follows (these have been disclosed at Note 15):

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Valuation hierarchy (continued)

Consolidated	**Level I**	**Level 2**	**Level 3**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
31 December 2018:				
Quoted investments	199	-	-	199
Unquoted investments	-	313,342	-	313,342
Total assets	**199**	**313,342**	**-**	**313,541**
31 December 2017:				
Quoted investments	175	-	-	175
Unquoted investments	-	340,608	-	340,608
Total assets	**175**	**340,608**	**-**	**340,783**

Company	**Level I**	**Level 2**	**Level 3**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
31 December 2018:				
Quoted investments	199	-	-	199
Unquoted investments-	-	286,814	-	286,814
Investment in subsidiaries	-	-	7,066,468	7,066,468
Total assets	**199**	**286,814**	**7,066,468**	**7,353,481**
31 December 2017:				
Quoted investments	175	-	-	175
Unquoted investments	-	330,236	-	330,236
Investment in subsidiaries	-	-	9,714,521	9,714,521
Total assets	**175**	**330,236**	**9,714,521**	**10,044,932**

The valuation techniques and fair value hierarchy for non-financial assets has been disclosed in Note 10 and 11

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

6. REVENUE, OTHER INCOME AND EXPENSES

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(a) Revenue				
Sale of goods	3,192,582	3,502,375	-	-
Rendering of services	308,452	421,364	-	-
Construction contract revenue	746,224	1,735,521	-	-
Dividends	-	-	12,724	-
Interest income (Note 29 (c))	-	-	41,065	51,929
Technical fees (Note 29 (d))	-	-	124,001	156,018
	4,247,258	**5,659,260**	**177,790**	**207,947**

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(b) Other income/(loss)				
Gain/(loss) on sale of property	8,023	(5,377)	244	(125)
Divestiture income	127,308	-	127,308	-
Reversal of bad debt provision	125,568	-	-	-
Fair value of investment property	54,100	-	-	-
Sale of scrap	3,571	3,898	-	-
Impairment loss on revaluation of Property plant and equipment*	(8,922)	-	-	-
Rental income	11,309	15,407	-	-
Reversal of accruals	54,300	-	54,300	-
Sundry income	60,167	38,955	-	-
	435,424	**52,883**	**181,852**	**(125)**

* This is the deficit in revaluation reserve for some buildings that has been charged to the statement of profit or loss. The deficit was lower than the previous surplus, hence the difference was adjusted through the statement of profit or loss.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

6. REVENUE, OTHER INCOME AND EXPENSES AND IMPAIRMENT (Continued)

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(c) Expenses by nature				
Cost of sales:				
Raw materials	2,429,079	3,601,932	-	-
Direct staff costs	586,087	877,519	-	-
Licences, insurance and permits	65,680	89,667	-	-
Equipment hire	32,152	79,677	-	-
Subcontracting	108,859	253,524	-	-
Service costs	67,093	46,145	-	-
Freight	20,450	-	-	-
Machinery repairs and maintenance	13,928	5,240	-	-
Utility expenses	11,498	9,620	-	-
Project set up costs	3,398	4,596	-	-
Manufacturing and packaging	8,288	6,001	-	-
Interest on trade loans	18,449	44,141	-	-
	3,364,961	**5,018,062**	**-**	**-**
Operating expenses:				
Staff costs	726,171	736,275	179,416	180,360
Legal and professional fees	242,532	272,417	9,998	40,935
Office expenses	522,566	486,138	52,954	55,984
Establishment and site expenses	202,868	51,556	-	-
Directors fees (Note 29(a))	61,018	37,183	15,610	8,070
Travel expense	42,862	55,098	7,575	15,857
Utility fees	122,095	79,448	-	-
Distribution expenses	35,545	38,443	-	-
Audit fees	39,415	41,802	5,859	6,893
Repairs and maintenance	182,536	78,881	-	32
Facility & arrangement fee	33,490	38,302	8,739	10,713
Stock obsolescence	6,056	-	-	-
	2,217,154	**1,915,543**	**280,151**	**318,844**
(d) Staff costs				
Wages and salaries	1,230,469	1,560,674	169,033	172,648
Social security contributions	25,878	18,048	53	43
Contribution to defined contribution	27,963	18,131	10,330	7,669
Other staff costs	17,952	16,941	-	-
Termination benefits	9,996	-	-	-
	1,312,258	**1,613,794**	**179,416**	**180,360**
Presented in profit or loss as follows:				
Cost of sales	586,087	877,519	-	-
Operating expenses	726,171	736,275	179,416	180,360
	1,312,258	**1,613,794**	**179,416**	**180,360**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

6. REVENUE, OTHER INCOME EXPENSES AND IMPAIRMENT (Continued)

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(e) Contract liability				
Provision for contract liability	**-**	**1,512,163**	**-**	**-**

Civicon Limited, a subsidiary of TransCentury PLC was 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 had made claims and counterclaims respectively. Following the conclusion of the arbitration process at International Chamber of Commerce, Civicon Limited was held liable for claims amounting to KShs 1.5 billion.

(f) Impairment losses

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Financial instruments (Note 5(a))	261,149	272,663	114,693	620,611
Inventory (Note (6c))	6,056	-	-	-
Property plant and equipment (Note (10))	328,112	-	-	-
Intangible assets (Note (14))	4,621	-	-	-
	599,938	**272,663**	**114,693**	**620,611**

7. RESULTS FROM OPERATING ACTIVITIES

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Results from operating activities are arrived at after charging/(crediting):				
Depreciation (Note 10)	556,454	597,710	1,362	3,745
Amortisation of prepaid operating lease Rentals (Note 13)	36,098	32,061	-	-
Amortisation of intangible assets (Note 14)	9,345	7,169	-	-
	601,897	**636,940**	**1,362**	**3,745**
Directors' emoluments (Note 29(a)	96,493	72,658	51,085	43,545
Auditor's remuneration	39,415	41,802	5,859	6,893
Gain/(loss) on disposal of property, plant and equipment	8,023	(5,377)	244	(125)
Impairment losses:				
- Trade and other receivables	261,149	272,663	14,820	-
- Inventory	6,056	-	-	-
- Due from related parties	-	-	92,046	96,688
- Intercompany loan	-	-	7,827	528,267

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

8. NET FINANCE COSTS

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(a) Exchange losses				
Loss/(gain) on exchange	(358,095)	(11,418)	(73,780)	79,106
(b) Finance costs				
Interest on convertible bond	(130,925)	(143,654)	-	-
Interest on loans	(1,067,847)	(923,358)	(80,912)	(76,181)
	(1,198,772)	(1,067,012)	(80,912)	(76,181)
Net finance costs (a+b)	**(1,556,867)**	**(1,078,430)**	**(154,692)**	**2,925**

9. INCOME TAX

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(a) Income tax (credit)/ expense				
- Amounts recognised in profit or loss				
Current tax:				
Charge for the year at 30%	6,402	20,588	-	15,626
Prior year under/over provision	(11,152)	(12,679)	(11,152)	7,913
	(4,750)	**7,909**	**(11,152)**	**23,539**
Deferred tax (credit)/ expense:				
Current year (Note 25(c))	(132,936)	(398,855)	(103)	(439)
Prior year over provision (Note 25(c))	(17,826)	570	-	-
	(150,762)	(398,285)	(103)	(439)
	(155,512)	**(390,376)**	**(11,255)**	**23,100**
Amounts recognised in other comprehensive income				
Arising from:				
Defined benefits	571	-	-	-
Revaluation of property, plant and equipment:	166,435	216,776	-	-
	167,006	**216,776**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX (Continued)

(b) Reconciliation of effective tax rate

Consolidated

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

	2018 Rate	2018 KShs'000	2017 Rate	2017 KShs '000
Accounting loss before tax		**(3,658,135)**		**(4,721,658)**
Tax at the domestic rate of 30%	30%	(1,097,441)	30%	(1,416,497)
Prior years' under provision:				
- Current tax	0%	(11,152)	1%	(12,679)
- Deferred tax	0%	(17,826)	0%	570
Effect of taxes in foreign jurisdictions*	0%	(14,338)	(7%)	348,380
Movement in deferred tax not recognised (note 9(c))	(6%)	232,943	(18%)	854,333
Tax effect of non-deductible expenses	(18%)	(658,595)	3%	(145,354)
Tax effect of non-taxable income	0%	-	0%	(19,129)
Effect of change in tax rates**	(3%)	93,707		-
Income tax expense	**4%**	**(155,512)**	**9%**	**(390,376)**

Company

	2018	**2018**	**2017**	
2017		**Rate**	**KShs'000**	
Rate	**KShs'000**			
Accounting loss before tax		**(191,256)**		**(732,453)**
Tax at the domestic rate of 30%	30%	(57,377)	30%	(219,736)
Prior years' under provision:				
- Current tax	6%	(11,152)	0%	(12,679)
Movement in deferred tax not recognised	47%	89,599	(34%)	231,507
Tax effect of non-deductible expenses	17%	(32,325)	0%	(22,192)
Tax effect of non-taxable income		-	0%	-
Income tax expense	**(6%)**	**11,255**	**(4%)**	**23,100**

* TransCentury Holdings Proprietary Limited and Kewberg & Braids Proprietary South Africa Limited operate in South Africa where corporate taxes are 28%. TC 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 TC Mauritius Limited operate in South Sudan where tax bands range between 10% and 25%.

** Civicon Limited Mauritius and Truckoil Limited operates in South Sudan. The applicable tax rate in South Sudan was 25% (2017: 10%).

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX (Continued)

c) Movement in unrecognised deferred tax

Consolidated

2018:

	At 1 January KShs'000	Prior year under provision of unrecognized deferred tax KShs'000	Movement in unrecognised deferred tax KShs'000	At 31 December KShs'000
Arising from:				
Property plant and equipment	-	(820)	1,556	736
Unrealised exchange loss	180,497	(196,165)	(19,661)	(35,329)
Provisions	81,833	494,739	(120,038)	456,534
Tax losses	1,014,033	(537,449)	371,086	847,670
	1,276,363	**(239,695)**	**232,943**	**1,269,611**

2017:

	At 1 January KShs'000	Prior year under provision of unrecognized deferred tax KShs'000	Movement in unrecognised deferred tax KShs'000	At 31 December KShs'000
Arising from:				
Tax losses	437,685	(86,681)	663,029	1,014,033
Provision	90,124	(24)	(8,267)	81,833
Unrealised exchange loss	(19,074)	-	199,571	180,497
	508,735	**(86,705)**	**854,333**	**1,276,363**

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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX (Continued)

(c) Movement in unrecognised deferred tax (continued)

Tax losses in Kenya expire within 10 years (Uganda, Mauritius and Sudan expire within 5 years). Under the current tax regulations, the aging of tax losses at 31 December 2018 was as follows:

Year of origin	Amount (KShs'000)	Year of expiry
2012	27,685	2021
2013	127,111	2022
2014	330,314	2019
2015	221,827	2024
2015	21,737	2020
2016	573,475	2025
2016	118,056	2021
2017	284,565	2026
2017	466,455	2022
2018	503,823	2027
2018	125,342	2023
	2,800,390	

Deferred tax asset of KShs 848 million (2017 – KShs 1,014 million) has not been recognised while KShs 597 million (2017 KShs 655 million) was recognised with respect to tax losses.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX (Continued)

(c) Movement in unrecognised deferred tax (continued)

Company

2018:	At 1 January KShs'000	Prior year under provision of unrecognized deferred tax KShs'000	Movement in unrecognised deferred tax KShs'000	At 31 December KShs'000
Arising from:				
Tax losses	195,589	(8,366)	89,035	276,258
Provision	289,082	-	20,222	309,304
Unrealised exchange loss	(29,429)	13,757	(19,658)	(35,330)
	455,242	**5,391**	**89,599**	**550,232**
Company				
2017:				
Arising from:				
Tax losses	239,978	(86,681)	42,292	195,589
Provision	89,536	(24)	199,570	289,082
Unrealised exchange loss	(19,074)	-	(10,355)	(29,429)
	310,440	**(86,705)**	**231,507**	**455,242**

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

Tax losses expire within 10 years under the current tax regulations. The aging of tax losses as at 31 December 2018 was as follows:

Year of origin	Amount (KShs'000)	Year of expiry
2012	27,685,173	2021
2013	127,111,152	2022
2015	221,827,387	2024
2016	184,673,325	2025
2017	97,599,008	2026
2018	261,959,499	2027
	920,855,544	

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX (Continued)

(d) Tax recoverable/payable account

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Balance as at 1 January	357,147	325,724	(13,584)	2,088
Current tax charge	(6,402)	(20,588)	-	(15,626)
Prior year over/(under) provision	11,152	12,679	11,512	(7,913)
Paid during the year	42,737	28,676	12,044	7,867
Foreign exchange translation differences	2,677	10,656	-	-
Balance as at 31 December	**407,311**	**357,147**	**9,612**	**(13,584)**
Comprising:				
Current tax recoverable	419,169	382,619	9,612	-
Current tax payable	(11,858)	(25,472)	-	(13,584)
Balance as at 31 December	**407,311**	**357,147**	**9,612**	**(13,584)**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT

Consolidated 2018:	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 2018	2,583,657	749,084	4,201,657	4,563,494	485,274	324,508	300,821	13,208,495
Additions	-	-	1,392	11,119	72,284	7,776	1,514	94,085
Transfers from work in progress	-	-		20,387	-	(20,387)	(27,012)	(27,012)
Transfer from assets held for sale	-	-	65,000	-	-	-	-	65,000
Transfer to asset held for sale	-	(32,198)	-	-	-	-	-	(32,198)
Transfer to prepaid operating lease	-	-	(679,886)	-	-	-	-	(679,886)
Impairment	-	-	(16,239)	(901,697)	(36,317)	(1,653)	-	(955,906)
Disposals	(150,778)	-	(42,282)	(95,086)	(38,448)	(544)	-	(327,138)
Revaluation adjustment	-	-	(100,650)	(111,200)	2,089	-	-	(209,761)
Exchange differences	(49,946)	(150,113)	-	(104,997)	(11,170)	(6,022)	(3,971)	(326,219)
At 31 December 2018	2,382,933	566,773	3,428,992	3,382,020	473,712	303,678	271,352	10,809,460
Cost	2,382,933	274,693	883,296	774,332	102,310	71,355	184,270	4,673,189
Valuation	-	292,080	2,545,696	2,607,688	371,402	232,323	87,082	6,136,271
	2,382,933	566,773	3,428,992	3,382,020	473,712	303,678	271,352	10,809,460
Depreciation:								
At 1 January 2018	2,286,634	114,692	301,470	2,082,495	517,351	270,734	5,495	5,578,871
Charge for the year	82,565	19,804	98,167	289,433	46,425	20,060	-	556,454
Impairment	-	(1,210)	-	(287,642)	(28,091)	(310,851)	-	(627,794)
Revaluation adjustment	-	-	(59,365)	(464,158)	-	-	-	(523,523)
Transfer to prepaid operating leases	-	-	(22,966)	-	-	-	-	(22,966)
Transfer from assets held for sale	-	2,383	-	-	-	-	-	2,383
Transfer to assets held for sale	-	(3,571)	-	-	-	-	-	(3,571)
Disposals	(143,140)	-	-	(61,179)	(29,347)	(3,692)	-	(237,358)
Exchange differences	(27,965)	(14,040)	(10,099)	(47,888)	(8,487)	(1,932)	(770)	(111,181)
At 31 December 2018	2,198,094	118,058	307,207	1,511,061	497,851	(25,681)	4,725	4,611,315
Carrying value: At 31 December 2018	**184,839**	**448,714**	**3,121,785**	**1,870,959**	**(24,139)**	**329,359**	**266,629**	**6,198,145**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Consolidated 2017:	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 2017	2,599,574	727,594	3,635,290	4,601,964	453,949	295,489	263,101	12,576,961
Additions	-	-	418	16,211	37,007	38,024	37,751	129,411
Transfer to prepaid operating lease	-	-	(65,000)	-	-	-	-	(65,000)
Disposals	(28,077)	(44,318)	(18,547)	(5,971)	(5,332)	(10,022)	(56)	(112,323)
Revaluation adjustment	-	59,003	649,496	-	-	-	-	708,499
Exchange differences	12,160	6,805	-	(48,710)	(350)	1,017	25	(29,053)
At 31 December 2017	2,583,657	749,084	4,201,657	4,563,494	485,274	324,508	300,821	13,208,495
Cost	2,583,657	398,001	905,815	1,844,606	115,961	92,185	213,739	6,153,964
Valuation	-	351,083	3,295,842	2,718,888	369,313	232,323	87,082	7,054,531
	2,583,657	749,084	4,201,657	4,563,494	485,274	324,508	300,821	13,208,495
Depreciation:								
At 1 January 2017	2,173,755	103,498	218,595	1,800,340	465,599	251,821	5,419	5,019,027
Charge for the year	127,122	20,008	88,186	279,678	55,126	27,514	76	597,710
Revaluation adjustment	-	(12,146)	-	-	-	-	-	(12,146)
Transfer to prepaid operating leases	-	-	(2,383)	-	-	-	-	(2,383)
Disposals	(27,519)	(4,627)	-	(14,181)	(4,637)	(9,761)	-	(60,725)
Exchange differences	13,276	7,959	(2,928)	16,658	1,263	1,160	-	37,388
At 31 December 2017	2,286,634	114,692	301,470	2,082,495	517,351	270,734	5,495	5,578,871
Carrying value:At 31 December 2017	**297,023**	**634,392**	**3,900,187**	**2,480,999**	**(32,077)**	**53,774**	**295,326**	**7,629,624**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company - Furniture, fittings and equipment

	2018 KShs'000	2017 KShs'000
Cost or valuation:		
At 1 January	14,018	16,420
Additions	760	590
Disposals	-	(2,992)
At 31 December	14,778	14,018
Depreciation:		
At 1 January	12,499	11,616
Charge for the year	1,362	3,745
Disposals	-	(2,862)
At 31 December	13,861	12,499
Carrying amount at 31 December	**917**	**1,519**

Fully depreciated assets' value as at December 2018 amount to KShs 1,050,918,538 (2017 - KShs 1,591,955,505) with a notional depreciation of KShs 198,780,472 (2017 - KShs 388,538,725).

The work in progress (WIP) relates to ongoing factory upgrades at East African cables PLC and Tanelec Limited.

Revaluation

The Group's property, plant and equipment is revalued once in every three years.

Items of property, plant and equipment in East African Cables PLC, other than motor vehicles, are stated at fair value, which has been determined based on valuation by Ms Proland Realtors Limited an accredited independent valuer as at 31 December 2018. The fair value of the properties has not been determined on transactions observable in the market because of the nature of the property and lack of comparable data. Instead valuation model in accordance with that recommended by the International Valuation Standard Committee has been applied.

Leasehold land at East African Cables PLC has been stated at fair value, based on valuation by Ms Proland Realtors Limited an accredited independent valuer on 31 December 2018. The fair value of the leasehold land has been determined on the basis of comparable transaction in the market.

Land and buildings of AEA Limited were professionally valued by an independent professional valuer, Lloyd Masika Limited, on 31 December 2018 in order to reflect the current market valuation in the books of account. The resulting surplus was credited to revaluation reserve. The valuation was based on the market approach, based on actual location, size, lease period and the general quality of the property.

Leasehold land in Civicon Kenya Limited and Civicon Limited (Uganda) was professionally valued by independent professional valuers, Lloyd Masika Limited and MPG Associates Limited respectively, on 31 December 2017 in order to reflect the current market valuation in the books of account. The resulting surplus was credited to revaluation reserve.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation (continued)

The property, plant and equipment of a subsidiary, Tanelec Zambia Limited were revalued in 2017 by Sherwood Greene, a firm of professional valuers on the basis of depreciated replacement cost. Motor vehicles were revalued as at 31 December 2018 by T.P. Chibwe & Co registered valuers on a depreciated cost basis. The surplus was credited to revaluation reserve.

The land and property, plant and equipment of one of the subsidiaries, Kewberg Cables & Braids Proprietary Limited were last revalued on 31 December 2014 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.

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

Consolidated	**Leasehold land and buildings KShs 000**	**Plant and machinery KShs 000**	**Total KShs 000**
At 31 December 2018:			
Cost	915,847	1,821,900	2,737,747
Accumulated depreciation	(268,083)	(1,806,827)	(2,074,910)
Carrying value	**647,764**	**15,073**	**662,837**
At 31 December 2017:			
Cost	905,815	1,844,606	2,750,421
Accumulated depreciation	(224,415)	(1,596,855)	(1,821,270)
Carrying value	**681,400**	**247,751**	**929,151**

Security

In 2017, Tanelec Zambia Limited appointed Sherwood Greene P.O Box 71919 Ndola, an accredited independent valuer to value its leasehold land. The method used by the valuer in determining the fair value of assets is the fair market value. At 31 December 2018, properties of subsidiaries have been charged to secured banking facilities per Note 27.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Property plant and equipment Level 2 hierarchy	*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 freehold land leasehold land and motor vehicles 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.

11. INVESTMENT PROPERTY

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Valuation				
At 1 January	-	115,000	-	-
Transfer to assets held for sale (Note 12)	-	(115,000)	-	-
Transfer from assets held for sale	346,145	-	-	-
Fair value change	54,100	-	-	-
At 31 December	**400,245**	**-**	**-**	**-**

Measurement of fair values

Investment properties comprise of residential houses that have been leased to third parties and are carried at fair value, these are;

- *LR No. 21707, Plot 581 on Malik Road, Upanga West, Dar es salaam, Tanzania*
  The investment property was revalued in December 2015 by Lloyd Masika Limited on the basis of open market value for existing use.

- *LR. No. 3734/126, on Elmolo Drive, Lavington, Nairobi, Kenya*
  The investment property was revalued in December 2018 by Proland Realtors Limited, a firm of independent professional valuers on the basis of open market value for existing use.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

11. INVESTMENT PROPERTY (Continued)

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 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 Level 3 hierarchy	*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) Reconciliation Level 3 fair values

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

	2018 KShs'000	2017 KShs'000
Balance at 1 January	-	115,000
Transfer (from)/to assets held for sale (Note 12)	346,145	(115,000)
Fair value changes	54,100	-
Balance at 31 December	**400,245**	**-**

Notes to the Consolidated and Separate Financial Statements

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12. ASSET HELD FOR SALE

	Consolidated		Company	
	2018	2017	2018	2017
	KShs '000	KShs '000	KShs '000	KShs '000
Balance as at 1 January	639,704	245,626	-	-
Transfers:				
- from property, plant & equipment (Note 10)	28,628	62,617	-	-
- from Leasehold land (Note 13)	-	221,521	-	-
- from Investment property (Note 11)	-	115,000	-	-
- to Investment property (Note 11)	(346,145)	-	-	-
- to leasehold land (Note 13)	(221,521)	-	-	-
- to property plant and equipment (Note 10)	(62,617)	-	-	-
Exchange differences	(9,421)	(5,060)	-	-
Balance as at 31 December	**28,628**	**639,704**	**-**	**-**

The Board of Directors has committed to a plan to sell non-core assets listed below:

Property Description	Carrying Value 2018	Carrying Value 2017	Fair value	Fair value
	KShs '000	KShs '000	2018	2017
LR No. 6982/2, on Addis Ababa Road, Industrial Area, Nairobi, Kenya	-	284,138	-	300,000
LR. No. 3734/126, on Elmolo Drive, Lavington, Nairobi, Kenya	-	115,000	-	115,000
LR No. 21707, Plot 581 on Malik Road, Upanga West, Dar es salaam, Tanzania	-	240,566	-	302,646
Buildings in Plot No. 7344, Nyerere Road, Light Industrial Area, Kitwe, Zambia	28,628	-	28,628	-
Total	**28,628**	**639,704**	**28,628**	**717,646**

13. PREPAID OPERATING LEASE RENTALS

	2018	2017
Consolidated	**KShs'000**	**KShs'000**
At 1 January	1,398,446	1,668,419
Transfer to asset held for sale (Note 12)	-	(221,521)
Transfer from asset held for sale (Note 12)	221,521	-
Transfer from property plant and equipment	656,920	-
Amortisation for the year	(36,098)	(32,061)
Revaluation surplus	248,485	-
Exchange differences	(20,328)	(16,391)
At 31 December	**2,468,946**	**1,398,446**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

13. PREPAID OPERATING LEASE RENTALS (Continued)

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

	2018	2017
Consolidated:	**KShs'000**	**KShs'000**
Carrying value of leasehold land at 1 January	241,388	511,361
Transfer from/(to) assets held for sale	221,521	(221,521)
Amortisation for the year	(36,098)	(32,061)
Exchange adjustment	(20,328)	(16,391)
Balance at 31 December	**406,483**	**241,388**

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 Level 2 hierarchy	*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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

14. INTANGIBLE ASSETS

Consolidated

2018:	**Software KShs '000**	**Goodwill KShs '000**	**Brand KShs '000**	**Total KShs '000**
Cost				
At 1 January	98,029	2,855,488	37,580	2,991,097
Additions	2,042	-	-	2,042
Transfer from PPE (Note 10)	27,012	-	-	27,012
Exchange differences	4,367	(49,816)	(5,731)	(51,180)
At 31 December	131,450	2,805,672	31,849	2,968,971
Amortisation				
At 1 January	88,048	-	37,580	125,628
Amortisation	9,345	-	-	9,345
Impairment loss	-	4,252	-	4,252
Exchange differences	(4,484)	-	(5,731)	(10,215)
At 31 December	92,909	4,252	31,849	129,010
Carrying value At 31 December	**38,541**	**2,801,420**	**-**	**2,839,961**

2017:	**Software KShs '000**	**Goodwill KShs '000**	**Brand KShs '000**	**Total KShs '000**
Cost				
At 1 January	94,165	2,835,435	33,231	2,962,831
Additions	299	-	-	299
Exchange differences	3,565	20,053	4,349	27,967
At 31 December	98,029	2,855,488	37,580	2,991,097
Amortisation				
At 1 January	76,295	-	33,231	109,526
Amortisation	7,169	-	-	7,169
Exchange differences	4,584	-	4,349	8,933
At 31 December	88,048	-	37,580	125,628
Carrying value At 31 December	**9,981**	**2,855,488**	**-**	**2,865,469**

	2018 KShs '000	**2017 KShs '000**
Goodwill comprises of:		
Civicon Africa Group Limited	2,765,660	2,803,286
Tanelec Limited	35,760	37,218
TransCentury Holdings Pty Limited	-	14,984
	2,801,420	**2,855,488**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

14. INTANGIBLE ASSETS (Continued)

(a) 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.

(b) Brand

In accordance with IFRS 3 – Business Combinations, an impairment assessment on the brand was carried out and the brand is fully impaired in these financial statements.

(c) Goodwill impairment testing

Goodwill is tested annually for impairment. An impairment loss is recognized 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 recognized in profit or loss.

Impairment losses recognized 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 recognized 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 recognized. An impairment loss in respect of goodwill is not reversed.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(a) Quoted shares				
Movement during the year:				
At 1 January	175	165	175	165
Fair value gain/(loss) in the year	24	10	24	10
At 31 December	**199**	**175**	**199**	**175**
Comprising:				
Cost	18,006	18,006	18,006	18,006
Cumulative fair value change	(17,807)	(17,831)	(17,807)	(17,831)
	199	**175**	**199**	**175**

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
(b) Unquoted shares				
Development Bank of Kenya Limited:				
Cost	78,689	78,689	78,689	78,689
Cumulative fair value gain	208,125	251,547	208,125	251,547
	286,814	330,236	286,814	330,236
Mwangaza Limited:				
Cost	101,764	101,764	-	-
Forex exchange	16,854	16,670	-	-
Cumulative fair value loss	(92,090)	(108,062)	-	-
	26,528	10,372	-	-
	313,342	**340,608**	**286,814**	**330,236**

(c) Investment in subsidiaries – fair value

	2018 KShs '000	2017 KShs '000
Cable Holdings (Kenya) Limited 100% (2017 – 94.8113%):		
Cost	460,232	460,232
Cumulative fair value gain	577,687	1,051,149
	1,037,919	1,511,381
AEA Limited (formerly Avery East Africa Limited) 94.4058% (2017 – 100%):		
Cost	49,853	49,853
Cumulative fair value gain	664,195	528,719
	714,048	578,572
Tanelec Limited 70% (2017 – 70%):		
Cost	78,720	78,720
Cumulative fair value gain	1,469,877	758,909
	1,548,597	837,629
TransCentury Holdings Pty Limited: 100% (2017 – 100%):		
Cost	122,167	122,167
Cumulative fair value gain	190,753	285,727
	312,920	407,894

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS (Continued)

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

Crystal Limited	**2018**	**2017**
100% (2017 – 100%):	**KShs '000**	**KShs '000**
Cost	52	52
Cumulative fair value gain	-	-
	52	52
TC Mauritius Holdings		
Limited 100% (2017 – 100%):		
Cost	973,103	973,103
Cumulative fair value gain	2,479,829	5,405,890
	3,452,932	6,378,993
Total investment in subsidiaries	**7,066,468**	**9,714,521**
Movement during the year:		
At 1 January	9,714,521	10,123,245
Fair value loss in the year	(2,648,053)	(408,724)
At 31 December	**7,066,468**	**9,714,521**
Comprising of:		
Cost	1,684,127	1,684,127
Cumulative fair value gain	5,382,341	8,030,394
Total investment in subsidiaries	**7,066,468**	**9,714,521**

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

In 2017, the company acquired an additional 5.5% (KShs 245 million) shareholding in Civicon Africa Group Limited, a company incorporated in Mauritius. The additional investment increased the company's shareholding to 83.5%. The acquisition involved buy out of non-controlling interest during that year and the amount involved has been included in payables. (see note 19(b)).

In 2015, the Company acquired an additional 16% (KShs 712 million) shareholding in Civicon Africa Group Limited, a Company incorporated in Mauritius. The additional investment increased the Company's shareholding to 78 %.

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 TC Mauritius Holdings, a limited Company incorporated in Mauritius. The Company was set up in 2009.

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

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS (Continued)

(d) Change in fair value of investments

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Quoted shares	24	10	24	10
Unquoted shares	(27,450)	(21,636)	(43,422)	57,969
Investment in subsidiaries (Note 15(c))	-	-	(2,648,053)	(408,724)
	(27,426)	**(21,626)**	**(2,691,451)**	**(350,745)**

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial assets measured at fair value at 31 December 2018 and 31 December 2017

Fair value hierarchy	Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Level 3	Investment in subsidiaries	TransCentury PLC 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 Limited (formerly Avery East Africa Limited) – Valued using Discounted Cash Flow (DCF) method	Weighted Average Cost of Capital (WACC) of 21.0% (2017; 16.2%). Marketability discount of 10% (2017, 10.3%)	• 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS (Continued)

(d) Change in fair value of investments (continued)

Measurement of fair values (continued)

Valuation techniques and significant unobservable inputs (continued)

Financial assets measured at fair value at 31 December 2018 and 31 December 2017 (continued)

Fair value hierarchy	Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
		• Tanelec Limited – Valued using DCF method	Weighted Average Cost of Capital (WACC) of 17.9% (2017, 16.9%). Marketability discount of 15% (2017, 12.6 %)	• 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.
		• TransCentury Holdings Pty Ltd – Valued using the Net Asset value method (2017, blended average of DCF method and the EV/ Revenue multiple)	No observable inputs used in 2018. In 2017 observable inputs are the weighted average cost of capital (WACC) of 11.1% and marketability discount of 7.6%.	• 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.
		• TC 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS (Continued)

(e) 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 2018:

In Kshs'000	Tanelec Ltd	EAC Plc	AEA Ltd	TC Mauritius Holdings Ltd	Total
NCI percentage	**30.00%**	**31.63%**	**5.59%**	**16.50%***	
Non-current assets	1,085,317	5,469,517	250,857	4,516,971	
Current assets	958,404	1,134,145	747,316	2,156,337	
Non-current liabilities	(710,876)	(702,011)	-	(3,619,712)	
Current liabilities	(823,183)	(4,400,382)	(888,361)	(8,759,979)	
Net assets excluding underlying NCI	**509,662**	**1,501,269**	**109,812**	**(5,706,383)**	
Underlying NCI	**(110,167)**	**324,481**	**-**	**(402,616)**	
Net assets including underlying NCI	**619,829**	**1,176,788**	**109,812**	**(5,303,767)**	
Carrying amount of NCI	**75,782**	**696,654**	**6,143**	**(402,616)**	**375,963**
Revenue	1,318,715	1,631,058	556,967	740,228	
Profit	(23,671)	(568,384)	(46,947)	(3,213,195)	
OCI	48,420	319,150	72,139	59,221	
Total comprehensive income	**24,749**	**(249,234)**	**25,192**	**(3,153,974)**	
Profit allocated to NCI	(34,242)	(236,005)	(2,625)	(247,075)	(519,947)
OCI allocated to NCI	24,477	101,989	5,609	-	132,075
Cash flows from operating activities	(53,998)	1,863,988	36,157	(141,592)	
Cash flows from investment activities	(12,988)	(3,895)	(37,145)	(10,959)	
Cash flows from financing activities	65,800	(1,912,937)	13,358	396,350	
Net increase (decrease) in cash and cash equivalents	**(1,186)**	**(52,844)**	**12,370**	**243,799**	

**Underlying non-controlling interest at Civicon Africa Group Limited*

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS (Continued)

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

31 December 2017:

In Kshs'000	Tanelec Ltd	EAC Plc	AEA Ltd	TC Mauritius Holdings Ltd	Total
NCI percentage	**30.00%**	**31.63%**	**5.59%**	**16.50%***	
Non-current assets	1,250,298	4,661,862	127,627	5,955,218	
Current assets	714,636	2,337,050	697,893	3,072,161	
Non-current liabilities	(389,282)	(1,193,076)	-	(2,630,776)	
Current liabilities	(1,129,409)	(3,927,035)	(697,034)	(8,900,532)	
Net assets including underlying NCI	**446,243**	**1,878,801**	**128,486**	**(2,503,929)**	
Underlying NCI	**(81,667)**	**448,157**	**-**	**(151,960)**	
Net assets excluding underlying NCI	**527,910**	**1,430,644**	**128,486**	**(2,351,969)**	
Carrying amount of NCI	**76,706**	**900,615**	**7,188**	**(151,961)**	**832,548**
Revenue	669,419	2,345,086	765,382	1,876,705	
Profit	(42,662)	(662,835)	(1,739)	(3,511,222)	
OCI	27,476	(1,416)	12,264	479,792	
Total comprehensive income	**(15,186)**	**(664,251)**	**10,525**	**(3,031,430)**	
Profit allocated to NCI	(16,951)	(275,363)	(97)	(440,684)	**(733,095)**
OCI allocated to NCI	17,975	(319)	686	75,017	**93,359**
Cash flows from operating activities	125,299	129,649	14,460	(489,350)	
Cash flows from investment activities	29,315	(78,328)	(4,222)	(13,222)	
Cash flows from financing activities	(121,989)	445,739	(2,173)	477,748	
Net increase (decrease) in cash and cash equivalents	**32,625**	**497,060**	**8,065**	**(24,824)**	

**Underlying non-controlling interest at Civicon Africa Group Limited.*

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

16. LOANS TO SUBSIDIARIES

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Payable after 12 months:				
East Africa Cables Limited	-	-	480,436	361,311
Cableries Du Congo	-	-	-	1,887
Tanelec Limited	-	-	-	31,719
	-	**-**	**480,436**	**394,917**
Movement during the year:				
At 1 January	-	-	394,917	856,720
Impaired	-	-	(1,887)	(528,267)
Issued/accrued interest during the year	-	-	119,125	66,464
Repaid during the year	-	-	(31,719)	-
At 31 December (Note 29 (e))	**-**	**-**	**480,436**	**394,917**

Tanelec Limited

In 2011, TransCentury PLC 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 11% per annum.

East African Cables PLC

TransCentury PLC advanced USD 4,000,000 to East African Cables PLC in April 2014. The Facility was to be utilised to fund the working capital needs of the business. Interest on the loan was charged at a rate of 11% per annum.

Kewberg Cables & Braids Proprietary Limited

In May 2011 and June 2012, TransCentury PLC 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 3.5%.

In September 2012 and October 2012 TransCentury PLC advanced ZAR 910,000 and ZAR 12,502,503 to Kewberg Cables & Braids 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 2015, TransCentury PLC advanced loan amounting to USD 570,000 to Kewberg Cables & Braids 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 3.25%.

In 2017, TransCentury PLC advanced a loan amounting to USD 560,000 to Kewberg Cables & Braids 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 3.25%.

In 2018, TransCentury PLC advanced a loan amounting to USD 199,214 to Kewberg Cables & Braids 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 3.25%.

All loans advanced to Kewberg Cables & Braids Proprietary limited were fully impaired as at 31 December 2018.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

17. INVENTORIES

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Raw materials	485,898	426,774	-	-
Finished goods	152,081	287,449	-	-
Work in progress	37,180	68,823	-	-
Goods in transit	91,513	55,535	-	-
Spares and lubricants	153,526	104,125	-	-
Machines	59,788	135,617	-	-
Consumables	71,869	106,479	-	-
Provision for obsolescence and slow- moving stocks	(25,548)	(25,625)	-	-
	1,026,307	**1,159,177**	**-**	**-**

Inventories of KShs 2,429,079 (2017 – KShs 3,601,932,000) were recognised as an expense during the year and included in cost of sales.

18. TRADE AND OTHER RECEIVABLES

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Trade receivables	3,421,255	3,873,264	-	-
Bad debts provision (Note 5(a)	(1,970,474)	(1,515,222)	-	-
	1,450,781	**2,358,042**	**-**	**-**
Sundry receivables and prepayments	592,184	994,476	114,700	16,808
Staff receivables	7,655	5,613	-	342
Due from related parties (Note 29(g))	-	-	1,979,969	1,989,533
	2,050,620	**3,358,131**	**2,094,669**	**2,006,683**

19. CASH AND BANK

(a) Cash and cash equivalents

Bank balances	253,718	264,009	32	1,852
Cash at hand	2,261	864	-	54
Cash and bank	**255,979**	**264,873**	**32**	**1906**
Bank overdraft	(87,549)	(300,315)	-	-
Total cash and cash equivalents	**168,430**	**(35,442)**	**32**	**1,906**

During the year, Tanelec Limited, a subsidiary of TransCentury PLC took an overdraft facility with TIB bank Limited. The interest on the overdraft was 9% per annum.bank.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

19. CASH AND BANK (continued)

(b) Notes to the statement of cash flows

	2018	2017
Consolidated:	**KShs '000**	**KShs '000**
Movement in trade and other payables	505,288	1,870,042
Acquisition of non-controlling interest included under payables	-	-
	505,288	**1,870,042**

Company:		
Movement in trade and other receivables	87,986	(1,298,800)
Receivable due to issuance of shares against Convertible bond at subsidiary	-	1,356,071
	87,986	**57,271**

20. SHARE CAPITAL

Consolidated and Company

Authorised

At 1 January and 31 December		
1,200,000,000 ordinary shares of KShs 0.50 each	**600,000**	**600,000**

	Units		Values	
	2018	**2017**	**2018**	**2017**
			KShs '000	**KShs '000**
Issued and fully paid ordinary shares of KShs 0.50 each				
At 1 January	375,202	281,426	187,601	140,713
Issued during the year	-	93,776	-	46,888
At 31 December	**375,202**	**375,202**	**187,601**	**187,601**

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.

In 2017, new shares were issued through allocation of 93,776,173 ordinary shares of KShs 0.50 each to Kuramo Africa Opportunity Kenya Vehicle Ltd as disclosed under note 24 (b).

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

21. SHARE PREMIUM

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
At 1 January	1,873,089	621,177	1,873,089	621,177
Issued during the year	-	1,251,912	-	1,251,912
At 31 December	**1,873,089**	**1,873,089**	**1,873,089**	**1,873,089**

22. 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) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity financial assets measured at fair value through other comprehensive income (FVOCI) until the investment is derecognised.

(d) Revaluation reserve

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

23. PROPOSED DIVIDENDS AND EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the loss attributable to ordinary shareholders of KShs 2,982,676 (2017 – loss of KShs 3,598,187) and a weighted average number of ordinary shares outstanding during the year of 375,202,766 (2017 – 375,202,766).

	2018 KShs '000	2017 KShs '000
Loss attributable to ordinary shareholders	**(2,982,676)**	**(3,598,187)**
Basic and diluted earnings per share (KShs)	**(7.95)**	**(10.23)**

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 2018 was based on the loss attributable to ordinary shareholders of KShs 2,982,676 (2017 - loss of KShs 3,598,187) and a weighted average number of ordinary shares outstanding after adjustment for all the effects of all dilutive potential ordinary shares of 375,202,766 (2017 - 351,758,723).

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

23. PROPOSED DIVIDENDS AND EARNINGS PER SHARE (Continued)

(b) Weighted average number of ordinary shares

	2018 KShs '000	2017 KShs '000
Issued ordinary shares as at 1 January	375,202,706	281,426,593
Weighted effect of shares issued in the year	-	70,332,130
As at 31 December	**375,202,706**	**351,758,723**

(c) Proposed dividends

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 (2017 – Nil).

24. CONVERTIBLE BOND AND LOAN

(a) 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 (KShs 5.1bn). The total amount of the convertible bond as at 31 December 2018 was USD 19.6 million (KShs 2,019 million) since some of the bond holders converted their portion of the bond to ordinary shares between the year ended 31 December 2011 and 31 December 2018.

The movement in the bond during the year is as follows:

	2018 KShs '000	2017 KShs '000
At 1 January	2,018,947	2,053,924
Interest accrued	130,925	143,654
Interest paid	-	(40,634)
Settlement to Bondholders	(253,226)	(153,030)
Forex losses	(27,770)	15,033
At 31 December	**1,868,876**	**2,018,947**

Presented in the statement of financial position as follows:

	2018 KShs '000	2017 KShs '000
Current	1,196,692	1,465,830
Non-current	672,184	553,117
At 31 December	**1,868,876**	**2,018,947**

On 24 March 2016, the Group signed an agreement with the bondholders to amend the terms and conditions of the convertible bond. The amendments reduced the convertible bond debt that was payable on 25 March 2016 from USD 59 million to USD 40 million as the final and full settlement of the liability. This resulted into a reduction of the liability recognised at 31 December 2016 by USD 19.4 million (KShs 1.9bn).

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

24. CONVERTIBLE BOND AND LOAN (Continued)

(b) Convertible loan

On 20 September 2016, the Group entered into agreement with Kuramo Capital through its wholly owned subsidiary, TC Mauritius Holdings Limited (TCM) to inject the USD 20 million (KShs 2bn) as a Convertible Loan which was utilised to settle the bondholder payment. Consequently, the balance of US$ 20 million (KShs 2,049,716,000) being the remaining bond liability was rolled over into a three (3) year unsecured loan at an interest rate of 8%. The bond is payable on quarterly basis until 30th June 2020 with a prepayment option.

On 3rd April, 2017, the Group completed the transaction and the Convertible Loan was extinguished in exchange of issue of new shares in the Company as disclosed under Note 20. This resulted to Kuramo Capital Management acquiring a 24.99% shareholding in the Company by allotment of 93,776,173 new ordinary shares of USD 13 million (KShs 1,331,086) and 70,120 preference shares of USD 7 Million (KShs 718 Million) in TCM at a par value of USD 100 each. The preference shares are cumulative and are redeemable at any time after the expiration of seven (7) years from the completion date at 4.9% coupon and 1.75 times of the par value.

	2018	2017
	KShs '000	KShs '000
Interest and redemption premium on preference shares	185,195	-
Preference shares	723,861	723,861
	909,056	**723,861**

(c)Shareholder loan

	Consolidated		Company	
	2018	2017	2018	2017
	KShs '000	KShs '000	KShs '000	KShs '000
Shareholder loans	**699,021**	**388,011**	**83,656**	**-**

The movement in shareholder loans during the year is as follows:

	Consolidated		Company	
	2018	2017	2018	2017
	KShs '000	KShs '000	KShs '000	KShs '000
At 1 January	388,011	-	-	-
Interest accrued	10,796	-	2,179	-
Loan advanced	283,614	386,770	80,600	-
Forex losses	16,600	1,241	877	-
At 31 December	**699,021**	**388,011**	**83,656**	**-**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

24. CONVERTIBLE BOND AND LOAN (Continued)

(c)Shareholder loan (Continued)

Kuramo Capital has advanced the following loans to TC Mauritius Holdings Limited, a wholly owned subsidiary of the Company:

- USD 1,873,400 in February 2017 at an annual interest rate of 6% payable on 31 December 2018. The loan is secured by a charge of 56,703,563 ordinary shares of KShs 0.50 each in the capital of East African Cables, a subsidiary of TransCentury PLC. On 9th July 2019, the maturity of the loan was extended to 30 June 2020;
- USD 2,000,000 in June 2017 at an annual interest rate of 5% payable on 31 July 2018. The loan is secured by a charge of 56,703,563 ordinary shares of KShs 0.50 each in the capital of East African Cables, a subsidiary of TransCentury PLC. On 9th July 2019, the maturity of the loan was extended to 30 June 2020;
- USD 1,250,000 in June 2017 at an annual interest rate of 5% payable on 31 July 2018. The loan is secured by a charge of 56,703,563 ordinary shares of KShs 0.50 each in the capital of East African Cables, a subsidiary of TransCentury PLC. On 9th July 2019, the maturity of the loan was extended to 30 June 2020;
- USD 500,000 in October 2017 at an annual interest rate of 5% payable on 31 December 2018. The loan is secured by a charge of 100,067 ordinary shares of Tanzanian Shillings ten thousand (TZS 10,000) each in the capital of Tanelec Limited, a subsidiary of TransCentury PLC. On 9th July 2019, the maturity of the loan was extended to 30 June 2020; and
- USD 2,000,000 in February 2018 at an annual interest of 5% payable on 31 July 2018. The loan is secured by a further charge on 56,703,563 ordinary shares of KShs 0.50 each in the capital of East African Cables, a subsidiary of TransCentury PLC. On 9th July 2019, the maturity of the loan was extended to 30 June 2020.

Kuramo Capital has advanced the following loans to the Company:

- USD 800,000 in November 2018 at an annual interest rate of 7% payable on 30 June 2020.
- The shareholder loans were utilised to partially settle the bond.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

25. DEFERRED TAX (ASSET)/LIABILITY

(a) Deferred tax asset

(i) Consolidated

2018	As at 1 Jan Kshs'000'	Day 1IFRS 9 adjustment Kshs'000'	Recognised through P&L Kshs'000'	Prior year under/over provision Kshs'000'	Recognised in equity Kshs'000'	Exchange rate diff Kshs'000'	As at 31 Dec Kshs'000'
Property plant and equipment	(61,013)	-	(2,564)	1	(28,129)	887	(90,818)
Day 1 IFRS 9 provision	-	44,608	-	-	-	128	44,736
Provisions	70,698	-	(21,949)	-	-	7,130	55,879
Tax losses	655,284	-	(35,222)	-	-	(22,325)	597,737
Unrealised exchange losses	37,169	-	25,070	(3,018)	-	(115)	59,106
	702,138	**44,608**	**(34,665)**	**(3,017)**	**(28,129)**	**(14,296)**	**666,640**

	At 1 January KShs '000	Reclassification 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	31 December KShs '000
2017:							
Property, plant and equipment	27,232	-	(93,258)	591	-	4,422	(61,013)
Other provisions and accruals	52,540	-	10,992	(151)	-	7,317	70,698
Tax losses	532,401	-	133,266	3,236	-	(13,619)	655,284
Unrealised exchange losses	18,042	-	14,902	1,648	-	2,577	37,169
	630,215	**-**	**65,902**	**5,324**	**-**	**697**	**702,138**

(ii) Company

2018:							
Property, plant and equipment	**2,161**	**-**	**103**	**-**	**-**	**-**	**2,264**
2017:							
Property, plant and equipment	**1,722**	**-**	**439**	**-**	**-**	**-**	**2,161**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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

(ii) Company

(b) Deferred tax liability

2018	As at 1 Jan Kshs'000	Day 1IFRS 9 adjustment Kshs'000'	Recognised through P&L Kshs'000	under/over provision Kshs'000	Recognised in equity Kshs'000	Exchange rate diff Kshs'000	As at 31 Dec Kshs'000
Staff gratuity provision	(8,964)	-	(896)	-	571	128	(9,161)
Other provisions and accruals	(382,494)	-	(7,423)	-	-	8,217	(381,700)
Tax loss	(601,838)	-	(101,465)	(1,371)	-	9,845	(694,829)
Unrealised exchange gain	(5,933)	-	1,256	-	-	104	(4,573)
Property plant and equipment	1,502,183	-	(61,986)	(13,660)	142,616	(18,314)	1,550,839
IFRS 9 day 1 provision	-	(50,997)	207	(5,812)	-	39	(56,563)
Revaluation	151,677	-	2,706	-	(4,308)	(7,655)	142,420
	654,631	**(50,997)**	**(167,601)**	**(20,843)**	**138,879**	**(7,636)**	**546,433**

2017	At 1 January 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 difference KShs '000	At 31 December KShs '000
Staff gratuity liability	(8,414)	(621)	-	-	71	(8,964)
Other provisions and accruals	(342,759)	(71,634)	(62,597)	-	75,722	(401,268)
Unrealised exchange gain	(46,919)	3,222	38,470	-	(706)	(5,933)
Tax losses	(462,294)	(210,167)	84,817	-	4,579	(583,065)
Property, plant and equipment	1,563,705	(53,753)	(55,936)	216,776	(16,881)	1,653,911
	703,319	**(332,953)**	**4,754**	**216,776**	**62,785**	**654,681**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Current year				
Deferred tax asset	34,665	(65,902)	-	(439)
Deferred tax liability	(167,601)	(332,953)	-	-
	(132,936)	**(398,855)**	**-**	**(439)**
Prior year under provision				
Deferred tax asset	3,017	(5,324)	-	-
Deferred tax liability	(20,843)	4,754	-	-
	(17,826)	**570**	**-**	**-**

26. STAFF GRATUITY

Consolidated				
Balance at 1 January	41,127	41,871	-	-
Payments made in the year	(2,086)	(5,392)	-	-
Remeasurement of gratuity	(1,332)	-	-	-
Accrual for the year	7,314	4,648	-	-
Balance at 31 December	**45,023**	**41,127**	**-**	**-**

Unionisable staff for East African cables PLC, 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 1-5 years, 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.

27. LOANS PAYABLE

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Bank loans - Long term	2,859,585	2,543,182	763,846	1,023,490
- Short term	5,668,156	5,385,479	1,662,161	1,212,027
Loans from subsidiaries (Note 29(f))	-	-	576,073	576,073
	8,527,741	**7,928,661**	**3,002,080**	**2,811,590**
Payable after 12 months	2,859,585	2,543,182	1,339,919	1,023,490
Payable within 12 months	5,668,156	5,385,479	1,662,161	1,788,100
	8,527,741	**7,928,661**	**3,002,080**	**2,811,590**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

27. LOANS PAYABLE (Continued)

Movement in the loans is as shown below:

	Consolidated 2018 KShs'000	Consolidated 2017 KShs'000	Company 2018 KShs'000	Company 2017 KShs'000
Balance at 1 January	7,928,661	6,315,613	2,811,590	2,594,364
Received during the year	1,371,617	2,631,303	190,490	217,226
Repaid during the year	(772,537)	(1,018,255)	-	-
Balance at 31 December	**8,527,741**	**7,928,661**	**3,002,080**	**2,811,590**

The major loans at 31 December 2018 had the following terms:

The Company has a term loan facility with Equity Bank Limited (Kenya) amounting to USD 20 million. The facility was initially due on 5th January 2018 but was subsequently refinanced in May 2018 to a lump sum repayment of USD 10 million by 31 October 2018 and the balance of USD 10 million to be repaid over four (4) years (USD 2.5 million being principal plus accrued interest per annum). The facility is secured by way of existing corporate guarantees by Cable Holdings (Kenya) Limited and TC Mauritius Holdings Limited for USD 77 million each executed in favour of the Bank, existing charge over the Borrower's shares in East Africa Cables PLC, Avery East Africa Limited and TC Mauritius Holdings Limited each executed in favour of the Bank for USD77 million and existing all-asset debenture charge over the TransCentury PLC assets executed in favour of the Bank to cover an aggregate of USD 77 million. The applicable interest rate the 6 month USD LIBOR + 8% subject to a minimum rate of 10% p.a. on reducing balance.

East African Cables Limited (Kenya) has entered into facility arrangements with banks and the borrowings are secured by certain land and buildings for KShs 2,099 million (2017 - KShs 1,370 million) and debentures over all assets of the company for KShs 3.2 billion (2017 - KShs 3.2 billion). The bank facility comprises term loan, letters of credit, bonds/guarantee and forex dealing. The subsidiary, East African Cables (Tanzania) Limited, has a term loan with Standard Chartered Bank (Tanzania) Limited. The loan is charged against the leasehold land and moveable assets of the subsidiary.

As at 31 December 2018, East African Cables PLC, a subsidiary, had overdue loans amounting to KShs 3.8 billion. These loans are due and payable on demand. Subsequent to year end, the Company signed a facility agreement amounting to KShs 1.6 billion with a new lender to restructure the loans previously held by Standard Chartered Bank Kenya Limited and Standard Chartered Bank Tanzania Limited. The new facility has a tenor of ten (10) years including a moratorium of twenty-four (24) months on principal loan repayments and six (6) months on interest repayments. Refer to note 34 on events after the reporting date.

A subsidiary, Tanelec Limited entered into various bank facilities with TIB Corporate Bank (Tanzania) effective 12 June 2018 amounting to USD 9 million. The USD denominated facilities have an interest rate of 9% and the TZS denominated facilities have an interest rate of 16.5%. The facilities are secured by first charge over Property located on Plot No. 35 Themi Industrial Area, Arusha City, a corporate guarantee by TransCentury PLC of USD 2.7m and a cash lien of USD 410,000.

A subsidiary, AEA Limited, has a bank facility with SBM Bank (Kenya) Limited for KShs 250 million (2017 - KShs 310 million) secured by its leasehold land and building. Interest is charged at 14% (2017 - 14%).

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

27. LOANS PAYABLE (Continued)

On 16th November 2018, a subsidiary of Civicon Africa Group Limited, Civicon Kenya Limited refinanced its existing banking facilities with Equity Bank Kenya Limited into a new long-term banking facility with a tenor of seven (7) years with a moratorium of twelve (12) months on principal repayment. The facility is secured by way of a corporate guarantee from TransCentury PLC, the ultimate holding company, for USD 47,010,000 (2017 - USD 47,010,000), a first ranking over all asset debenture of USD 47,010,000 (2017 - USD 47,010,000); and a legal charge over the land known as subdivision 2428 (original number 1955 and 2077) Section V, mainland North Mombasa in the amount of USD 5,945,000 (2017 - USD 5,945,000). The subsidiary also has an asset finance facility from Equity Bank.

The applicable pricing for the US Dollar denominated loans during 2018 was six (6) month LIBOR+8.25% (2017 LIBOR +6.75%) p.a subject to a minimum interest rate of 10% (2017 – 10%). The interest rate on the bank loan was at 10% (2017 – 10%).

28. TRADE AND OTHER PAYABLES

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Trade payables	2,558,432	3,568,426	-	-
Sundry creditors	4,717,826	3,202,544	310,824	215,601
Due to related parties (Note 29(h))	-	-	431,188	428,228
	7,276,258	**6,770,970**	**744,012**	**643,829**

29. RELATED PARTIES TRANSACTIONS

The following transactions were carried out with related parties:

(a) Directors emoluments

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Directors' emoluments	96,493	72,658	51,085	43,545
Directors' emoluments comprise:				
As executives	35,475	35,475	35,475	35,475
As non-executives	61,018	37,183	15,610	8,070
	96,493	**72,658**	**51,085**	**43,545**

(b) Inter-company sales – Consolidated

	2018 KShs '000	2017 KShs '000
From AEA Limited to Civicon Limited	116	126
From AEA Limited to East African cables PLC	285	777
	401	**903**

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

29. RELATED PARTIES TRANSACTIONS (Continued)

(c) Interest income - Company

	2018	2017
	KShs '000	KShs '000
East African cables PLC	38,966	32,579
Tanelec Limited	2,099	2,254
Cablerie Du Congo	-	47
Kewberg Cables and Braid (Pty) Limited	-	17,049
	41,065	**51,929**

(d) Technical fees – Company

	2018	2017
	KShs'000	KShs'000
Tanelec Limited – Tanzania	37,070	21,294
AEA Limited	15,018	17,913
Civicon Kenya Limited	19,299	-
East African Cables PLC	48,932	62,573
Tanelec Zambia	2,198	1,512
Civicon DRC Holdings Limited	1,484	52,726
	124,001	**156,018**

(e) Loans to subsidiaries – Company

	2018	2017
	KShs'000	KShs'000
Payable after 12 months:		
TransCentury Holdings (Proprietary) Limited		
- South Africa	528,266	528,267
East African cables PLC	480,436	361,311
Cableries Du Congo (CDC)	4,285	1,887
Tanelec Limited – Tanzania	-	31,719
	1,012,987	**923,184**
Impairment loss on TransCentury		
Holdings (Proprietary) & CDC loans	(532,551)	(528,267)
	480,436	**394,917**

(f) Loan from subsidiary – Company

	2018	2017
	KShs'000	KShs'000
Cable Holdings (Kenya) Limited (Note 27)	**576,073**	**576,073**

Notes to the Consolidated and Separate Financial Statements

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29. RELATED PARTIES TRANSACTIONS (Continued)

(g) Due from related parties – Company

	2018	2017
	KShs'000	KShs'000
Cable Holdings (Kenya) Limited	8,608	7,812
AEA Limited	74,490	87,368
TC Mauritius Holdings	1,507,843	1,330,689
East African cables PLC	94,033	144,559
Crystal Limited	28,303	28,204
Tanelec Limited	262,603	230,006
Kewberg Cables and Braid (Pty) Limited	302,524	358,991
Cable Holdings Mauritius Limited	2,097	5,038
TC Railway Holdings Mauritius	3,614	3,402
Safari Rail Company Limited	2,476	2,096
Tanelec Zambia Limited	30,291	31,657
Cableries du Congo	117,714	118,702
	2,434,596	**2,348,524**
Impairment loss on intercompany receivables	(454,627)	(358,991)
Total (Note 18)	**1,979,969**	**1,989,533**

(h) Due to related parties - Company

	2018	2017
	KShs'000	KShs'000
Cable Holdings (Kenya) Limited	5,426	5,426
TC Holdings Pty Limited	4,344	4,344
Civicon DRC Holdings Limited	244,767	242,076
Civicon Limited	180,995	180,726
	435,532	**432,572**
Writeback of Kewberg payables	(4,344)	(4,344)
Total (Note 28)	**431,188**	**428,228**

(i) Key management compensation

	Consolidated	Consolidated	Company	Company
	2018	2017	2018	2017
	KShs '000	KShs '000	KShs '000	KShs '000
Short-term employee benefits	350,167	253,720	61,771	67,892
Post-employment benefits	19,483	19,386	4,671	5,149
	369,650	**273,106**	**66,442**	**73,041**

(j) Key management transactions

Directors control 3.34% 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.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

29. RELATED PARTIES TRANSACTIONS (Continued)

(k) Borrowings from shareholders

	Consolidated 2018 KShs '000	Consolidated 2017 KShs '000	Company 2018 KShs '000	Company 2017 KShs '000
Preference shares - Note 24(b)	909,056	723,861	-	-
Shareholder loans - Note 24(c)	699,021	388,011	83,656	-
	1,608,077	**1,111,872**	**83,656**	**-**

30. SEGMENT INFORMATION

(a) Basis of segmentation

The Group has two (2) reportable segments which are the strategic business units in the following segments:

- Power;
- Engineering; and

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
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.

Notes to the Consolidated and Separate Financial Statements

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30. SEGMENT INFORMATION (Continued)

(b) Information about reportable segments (continued)

Year ended 31 December 2018	Power KShs'000	Engineering KShs'000	Others KShs'000	Intra-group adjustments KShs'000	Total KShs'000
Segment revenue	**2,951,405**	**1,267,842**	**28,011**	**-**	**4,247,258**
Operating profit/(loss)	**240,795**	**(1,157,677)**	**17,449**	**-**	**(899,433)**
Finance costs	(836,320)	(309,417)	(411,130)	-	(1,556,867)
Income tax expenses	144,667	(410)	11,255	-	155,512
Loss for the year	(861,809)	(3,020,948)	(980,567)	1,360,701	(3,502,623)
Attributable to:					
Equity holders	(591,563)	(1,410,546)	(980,567)	-	(2,982,676)
Non-controlling interest	(270,246)	(249,701)	-	-	(519,947)
Other information:					
Segment assets	9,220,120	4,959,608	2,488,453	-	16,668,181
Segment liabilities	(8,771,237)	(8,728,250)	(2,473,280)	-	(19,972,767)
Depreciation and amortization	(405,379)	(198,316)	1,798	-	(601,897)

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

30. SEGMENT INFORMATION (Continued)

(b) Information about reportable segments (continued)

Year ended 31 December 2017	Power	Engineering	Others	Intra-group adjustments	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Segment revenue	**3,030,791**	**2,629,373**	**(904)**	**-**	**5,659,260**
Operating profit/(loss)	**(579,026)**	**(2,874,267)**	**(189,935)**	**-**	**(3,643,228)**
Finance costs	(557,688)	(453,595)	(67,147)	-	(1,078,430)
Income tax expenses	388,374	25,531	(23,529)	-	390,376
Loss for the year	(748,340)	(3,302,331)	(280,611)	-	(4,331,282)
Attributable to:					
Equity holders	(456,027)	(2,861,549)	(280,611)	-	(3,598,187)
Non-controlling interest	(292,313)	(440,782)	-	-	(733,095)
Other information:					
Segment assets	9,718,806	6,802,579	2,219,579	-	18,740,964
Segment liabilities	(8,824,104)	(8,161,984)	(1,866,909)	-	(18,852,997)
Depreciation and amortization	378,758	254,437	3,745	-	636,940

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

Notes to the Consolidated and Separate Financial Statements

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30. 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.

(i) Revenue

	2018 KShs '000	2017 KShs '000
Kenya	2,421,394	4,212,163
Tanzania	1,649,304	968,683
Uganda	56,426	287,244
South Sudan	-	3,164
South Africa	691	3,572
DR Congo	48,478	127,209
Zambia	70,965	57,225
	4,247,258	**5,659,260**

(ii) Non-current assets

	2018 KShs '000	2017 KShs '000
Kenya	9,858,740	10,090,696
Tanzania	970,117	1,394,548
Uganda	25,860	100,437
South Sudan	-	15,668
South Africa	108,923	552,451
Mauritius	1,678,258	10,372
DR Congo	108,590	484,112
Zambia	136,990	288,176
	12,887,478	**12,936,460**

31. CAPITAL COMMITMENTS

There were no capital commitments across the Group during the year (2017 – KShs 87,000,000).

32. OPERATING LEASES

The Group leases several 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.

In 2018, an amount of KShs 14,218,185 (2017 - KShs 14,161,505) was recognised in profit or loss for operating lease payments.

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

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

32. OPERATING LEASES (Continued)

Consolidated and Company	2018 KShs'000	2017 KShs'000
Less than one year	21,260	14,784
Between one and five years	35,066	14,784
	56,326	**29,568**

33. CONTINGENCIES

Claims have been made by certain former employees of the Group and Company resulting from termination of employment. However, in the opinion of the Directors, no significant liability is likely to crystallise. Furthermore, this cannot be currently established.

Guarantees with the bankers amounted to KShs 2,878,281,000 as at 31 December 2018 (2017 – KShs 2,591,000). Letters of credit amounted to KShs 117,680,248 as at 31 December 2018 (2017 – KShs 301,815,194) whose related liabilities have been accrued in the financial statements as appropriate for the supplies.

34. EVENTS AFTER THE REPORTING PERIOD

On 20 December 2018 East African cables PLC, a subsidiary, reached an agreement with Standard Chartered Bank Kenya Limited and Standard Chartered Bank Tanzania Limited (**"SCB" or "the bank"**) for a discounted full and final settlement of all credit facilities outstanding to the bank. The settlement was completed on 20 May 2019. The resulting gain on this transaction was KShs 1.56 Billion which will be recorded in the financial statements for the year ending 31 December 2019.

Banking facilities amounting to KShs 1.6 Billion were signed with a new lender in February 2019 to facilitate the discounted settlement to SCB. The new facilities have a tenor of ten (10) years with moratorium of six (6) months and twenty-four (24) months on interest and principal respectively.

The transaction, if booked on 31st December 2018, would have had the following impact in the books of the Group:

Group

	31 December 2018 as reported KShs '000	Impact of discount on bank loans KShs '000	31 December 2018 Memorandum KShs '000
Statement of profit or loss and other comprehensive income			
(Loss) / profit before tax	(3,658,135)	1,461,108	**(2,197,027)**
Income tax credit	155,512	(223,141)	**(67,629)**
(Loss) / profit for the year	**(3,502,623)**	**1,237,967**	**(2,264,656)**
Equity			
Retained earnings	(8,695,074)	1,161,436	**(7,533,638)**
Non-Controlling interest	375,963	76,531	**452,494**
Non-current liabilities			
Deferred tax liability	546,433	223,141	**769,574**
Current liabilities			
Trade and other payables	7,276,258	107,768	**7,384,026**
Short-term portion of bank loan	5,668,156	(1,568,876)	**4,099,280**

Composition of Intrinsic Net Asset Value

	Net Asset Value KShs '000	31-Dec-18 Fair Value KShs '000	Net Asset Value KShs '000	31-Dec-17 Fair Value KShs '000
Cable Holdings (Kenya) Limited	1,037,919	1,037,919	1,511,381	1,511,381
Avery Kenya Limited	109,811	714,048	128,486	578,572
Tanelec Limited	509,663	1,548,597	446,244	837,629
TransCentury Holdings Pty Limited	(845,386)	312,920	(793,876)	407,894
Crystal Limited	(30,905)	52	(30,245)	52
TransCentury Mauritius Holdings	(5,706,382)	3,452,932	(2,503,929)	6,378,993
Total Net asset value (NAV)	**(4,925,280)**	**7,066,468**	**(1,241,939)**	**9,714,521**
No of Shares	**375,202,766**	**375,202,766**	**375,202,766**	**375,202,766**
NAV after tax per share (KShs)	**(13.13)**	**18.83**	**(3.31)**	**25.89**

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of the Company will be held at Kenyatta International Conference Centre (KICC), Nairobi on Tuesday, 27 August 2019 at 11.00 a.m. to conduct the following business:

AGENDA

A. ORDINARY BUSINESS

1. To read the notice convening the meeting and determine if a quorum is present;
2. To receive and adopt, the Chairman's statement, reports of the Directors and Auditors and audited financial statements for year ended 31 December 2018;
3. To note that the directors do not recommend payment of a dividend for the year ended 31 December 2018;
4. To elect directors in accordance with the Company's Articles of Association;
   (i) Mr. Wale Adeosun who was appointed as a director of the Company with effect from 28 March 2017, retires in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.
   (ii) Mr. Kamal Pallan who was appointed as a director of the Company with effect from 28 March 2017, retires in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.
5. Pursuant to the provisions of Section 769 of the Companies Act 2015, Mr. Ephraim Kariithi Njogu and Mr. Kamal Pallan being Members of the Board Audit, Risk & Compliance Committee be re-elected to continue to serve as Members of the said Committee;
6. To approve the Directors' remuneration for the year ended 31 December 2018;
7. To approve the re-appointment of KPMG Kenya as the auditors in accordance with section 723 (b) of the Companies' Act, 2015 and to authorise the Directors to fix their remuneration;
8. To transact any other business which may be properly transacted at an Annual General Meeting.

B. SPECIAL BUSINESS

1. To approve the Amendments of Articles of Association;

By Order of the Board
Company Secretary
P.O. Box 42334-00100
NAIROBI
Date: 31 July 2019

NOTE:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. A form of proxy is enclosed and should be returned to the secretary, P.O. Box 42334-00100 Nairobi, to arrive not later than 48 hours before the meeting or any adjournment thereof.
2. In accordance with Article 158 of the Company's Articles of Association, a copy of the financial statements for the year ended 31 December 2018 may be viewed and/or downloaded from the Company's website: www.transcentury.co.ke
3. A copy of the proposed amended Articles of Association may be viewed and/or downloaded from the Company's website: www.transcentury.co.ke

Proxy Form

To: The Company Secretary,
TransCentury PLC
P.O. Box 42334-00100
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 27th August, 2019 ……………………………………………………………………………

…

And at any adjournment thereof.

Signed/Sealed this …………. Day of ………………………….... 2019

……………………………………

……………………………………..

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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