2019 INTEGRATED REPORT

TransCentury
Impacting Africa

About this Report

The TransCentury PLC, Integrated Report and Financial Statement 2019 provides a balanced and comprehensive view of the Group's performance and business model as part of our continuous efforts to enhance disclosure to all our stakeholders. The Report has been prepared for the period of 1st January 2019 to 31st December 2019.

Framework

The report has been prepared in compliance with global best practice and prudent accounting frameworks for existing and prospective investors. The Report is aligned to the Companies Act, 2015, Capital Markets Authority (CMA) guidelines and the Nairobi Securities Exchange (NSE). This Report is also in compliance with the International Integrated Reporting Council (IIRC) Guidelines.

Contents

Who We Are

TransCentury PLC ("TC") is a investment Group headquartered in Kenya and 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.

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 to all stakeholders.

OUR VALUES
Entrepreneurial

Pioneering

Innovative

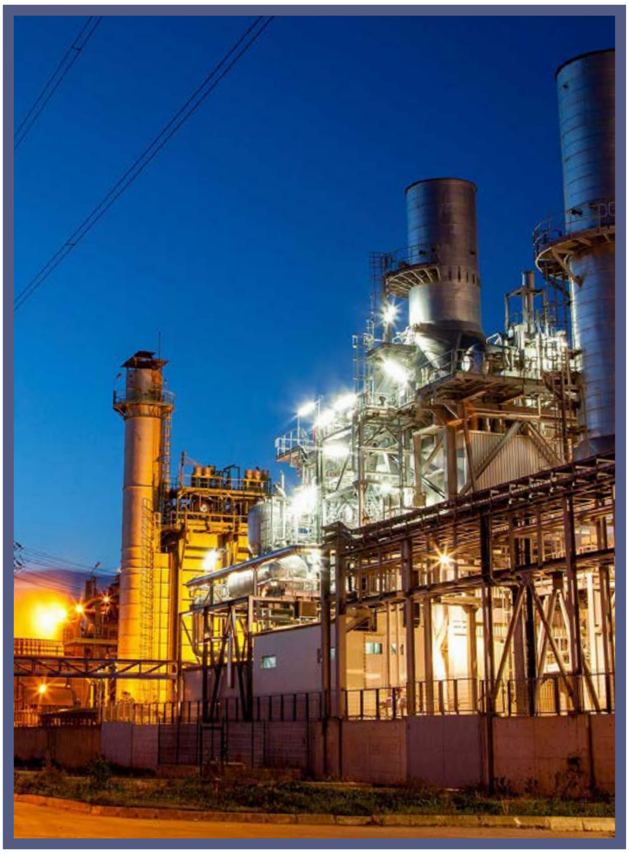
Collaborative

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.

Our Investment Strategy

HOW WE MANAGE OUR INVESTMENTS

TC has invested in 9 operating subsidiaries offering various products and services within the infrastructure sector. These include electrical cables and conductors, transformers, switchgear and related electrical control equipment, all within the Power Division, and engineering, procurement and construction services within the Engineering Division.

TC ensures that all operating subsidiaries have effective management structures that are relevant for the nature of the business that the subsidiary is involved in. TC also ensures that each subsidiary has an autonomous board of directors that is charged with the responsibility of providing oversight and governance.

TC has adopted the philosophy of an active investor, investing in operational businesses by obtaining controlling stakes and seeking to add significant value through providing funding, by driving strategy and governance, and by the creation of synergies with other investments in our portfolio. We are guided by the following principles:

- Active portfolio management on specific value-enhancing business activities including capital allocation, strategic planning, governance and business model, systems and policies.
- Provision of purposeful capital to portfolio businesses
- Provision of a dynamic platform for tapping synergies and accelerating growth among investee firms

As a shareholder in the subsidiaries, TC exercises its shareholder rights to influence adoption of best practice as relates to legal and regulatory compliance, financial management, safety, health and environmental management, stakeholder relations and sustainability, among other business activities.

INVESTMENT STRATEGY AND CRITERIA

TC is an investment company that is guided by its vision, mission, core values and investment approach in all its investment activities. TC focuses on the infrastructure sector and pursues investments in projects in infrastructure and entities dealing in infrastructure-related products, services and projects.

Our Investment Strategy

TC pursues investments in markets that display under penetration and inefficiency and is focused on the African market which has significant deficiencies in key infrastructure sectors.

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

TC evaluates investments comprehensively through a structured, research-based and risk sensitive approach, and seeks to consistently achieve superior risk-adjusted returns on TC equity and debt capital.

As an African company, TC promotes sustainable business practices in the region and has adopted global best practice in its investment activities.

TC is committed to creating superior, sustainable value for all stakeholders as we deliver infrastructure focused on Africa as a region. The outcome we desire is to transform lives of the people of Africa.

The TC Board of Directors exercises control and governance of all investment decisions and actions. The Board reviews and determines the investment strategies of the company, and reviews and monitors the investment activities, policies, guidelines and risk limits of TC and its subsidiaries.

AEA a subsidiary of TC has invested in new technology that cuts the cost and time of road repair significantly.

Our Business Model

INPUT

A) CAPITAL ENHANCED 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

GUIDED BY

OUR MISSION

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

OUR VISION

Africans impacting African lives through transformative infrastructure.

VALUE GENERATED

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

RISK MANAGEMENT AND FOCUS

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 groups 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
Shareholders	Superior sustainable value with consistent appraisal on strategy implementation
Government & Regulators Laws & Regulations Positive Social Impact	Company meets laid out policies with an increased emphasis on Environmental, Social and Governance (ESG) policies
Customers • Portfolio businesses • Potential investee businesses	Capital avilability supported by a robust operating framework and a platform to leverage on in addition to technical support Solution provider for uplift in brand equity, preservation of value and growth
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
Strategic partners • Suppliers • Lenders	Long term relationship that is mutually beneficial Long term relationship with sustainable profitable performance and the right team to deliver strategy
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

Our Investments

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

East African Cables
Connecting lives

TANELEC

KEWBERG CABLES

Câbleries du Congo

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

AEA LIMITED

civicon

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

TransCentury
Impacting Africa

Our Regional Footprint

KENYA
TransCentury PLC - *Holding Company*
East African Cables Ltd. - *Factory & Office*
AEA Ltd. - *Operations (Dealers)*
Tanelec Ltd. Kenya - *Distribution Office*

UGANDA
East African Cables Ltd. - *Operations*
Tanelec Ltd. - *Distribution Office*
Civicon - *Operations Office*
AEA Ltd. - *Dealers*

TANZANIA
Tanelec Ltd. - *Head Office & Factory*
East African Cables Ltd. - *Factory*

RWANDA
East African Cables Ltd. - *Distribution Office*

BURUNDI
East African Cables Ltd. - *Distribution Office*

DRC
Câbleries Du Congo - *Factory*

ZAMBIA
Tanelec Ltd. - *Factory*

SOUTH AFRICA
Kewberg Cables & Braids - *Factory*

Our Journey

2018/19
To strengthen balance sheet, restructured USD 52m of Group Debt
Additional USD 15.7m restructured resulting in USD 15.3m gain

2017
Unveiled redesigned Corporate Governance manual.
Launched 2018 – 2022 Ahidi Strategy with reviewed Mission, Vision and Values

2016
Kuramo Capital invested USD 20M.
Equity Eurobond Matured

2014/15
Invested in Civicon Congo (38%)& Civicon Africa Group (16%)

2014
Exited RVR due to a shift in business fundamentals

2013
Total Asset reach USD 273.4 M (all time high)

2012
Exited Non Core Assets: Chai Bora Limited and Funds of funds. They were not in line with TC's strategic direction

2011
March
Issued first ever listed convertible Eurobond by an East African entity
June
Invested in Pende Zambia (80%)
July
Listed in the Nairobi Securities Exchange
October
Invested in Civicon (62%)

2010
December
Invested in CDC (100%)

2009
April
TC shares begin trading over the counter market

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

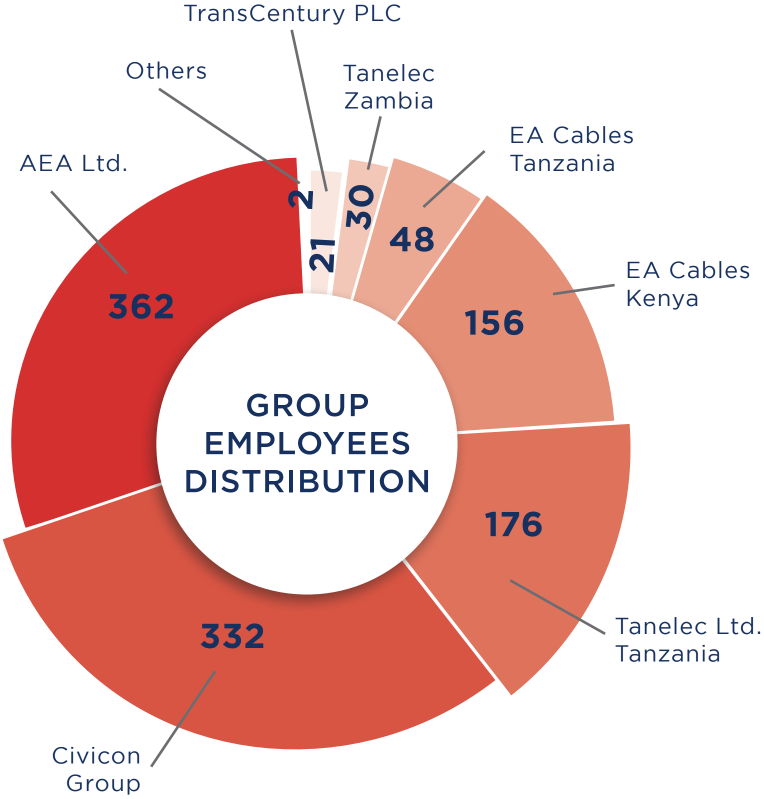
2006
December
Invested in RVR (34%) and engaged fulltime management at TC

2005
April
Invested in AEA (94%)

2004
February
Invested in East African Cables (64%)

1997
TC Incorporated with USD 300,000 seed capital

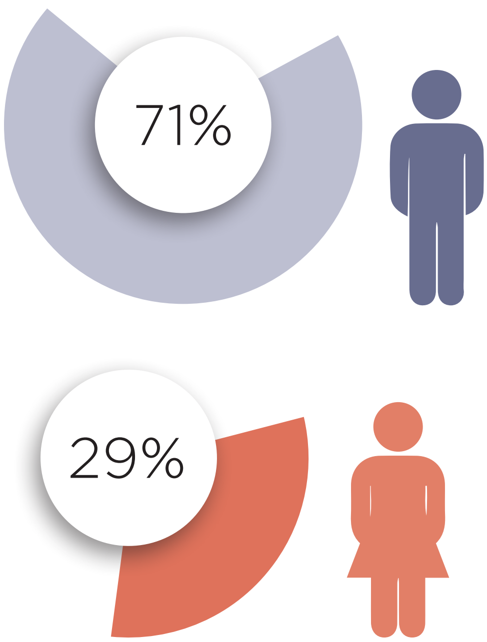
TC Group Numbers in brief

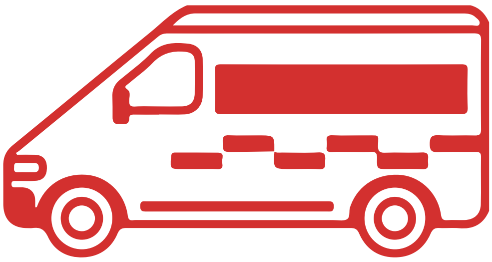


395

THE NUMBER OF PEOPLE TRAINED ON HEALTH AND SAFETY IN 2019

Staff Gender ratio

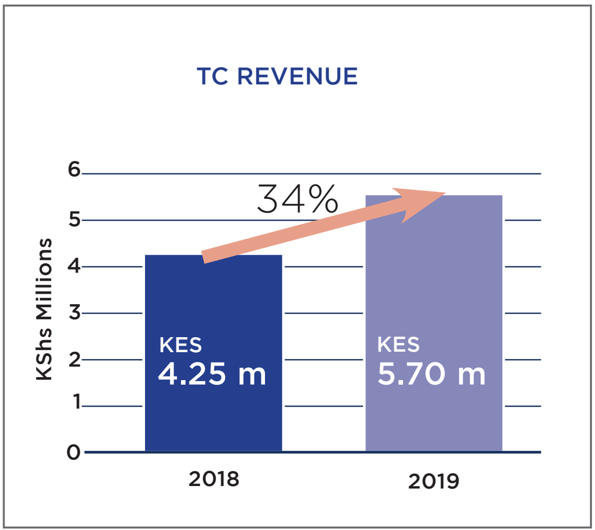


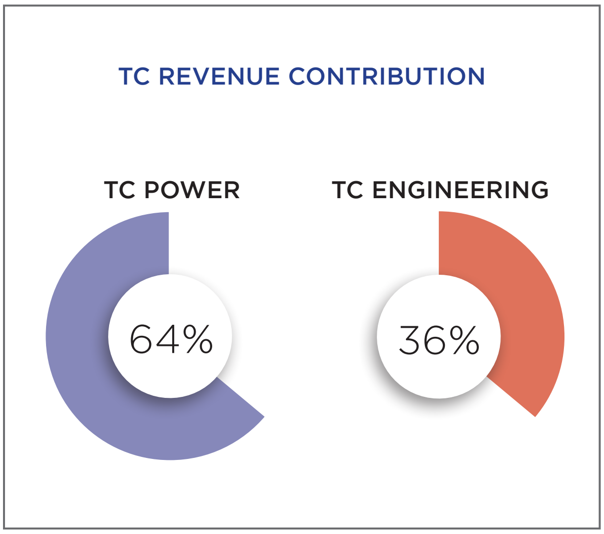


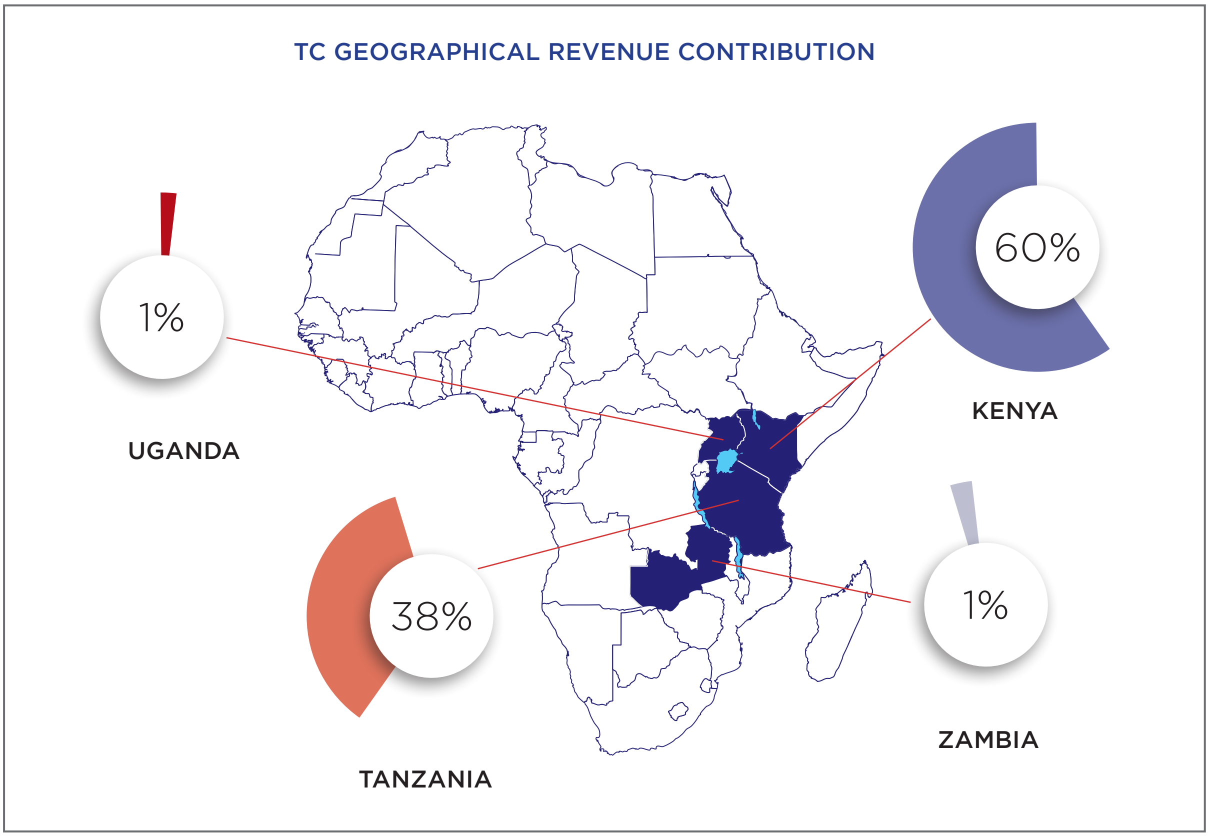
0.01%

TOTAL LOST TIME DUE TO INJURY

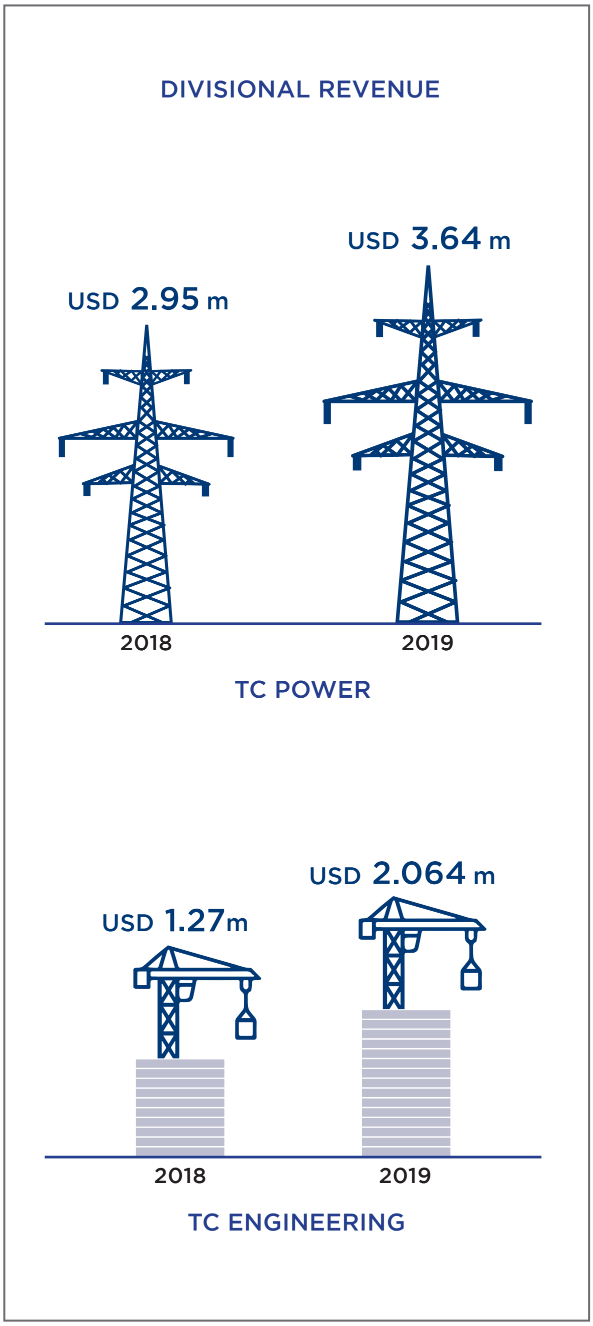
TC 2019 Group Highlights

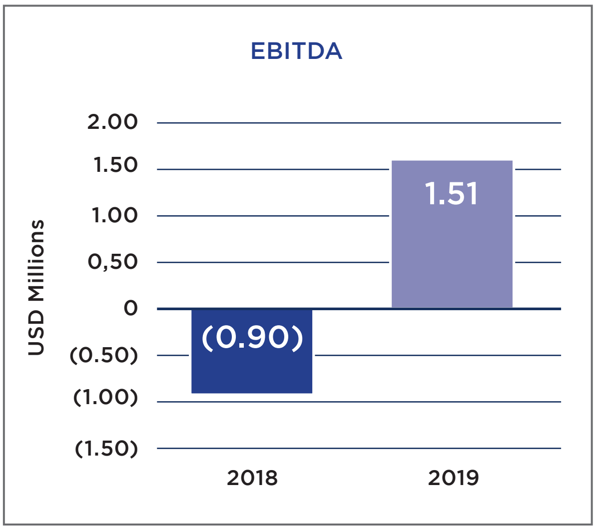


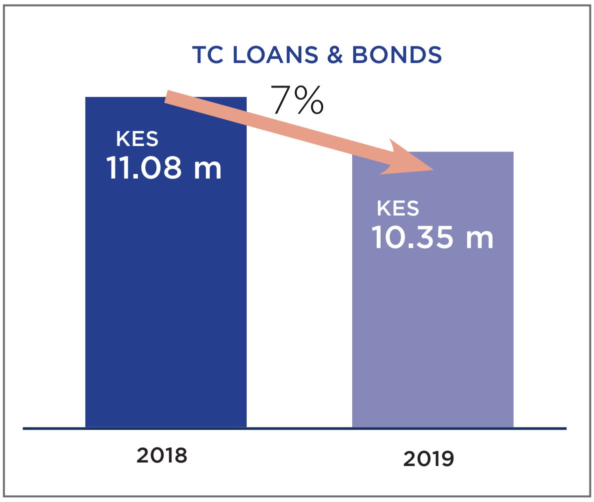




TC 2019 Group Highlights *continued*







Ahidi

Our Promise

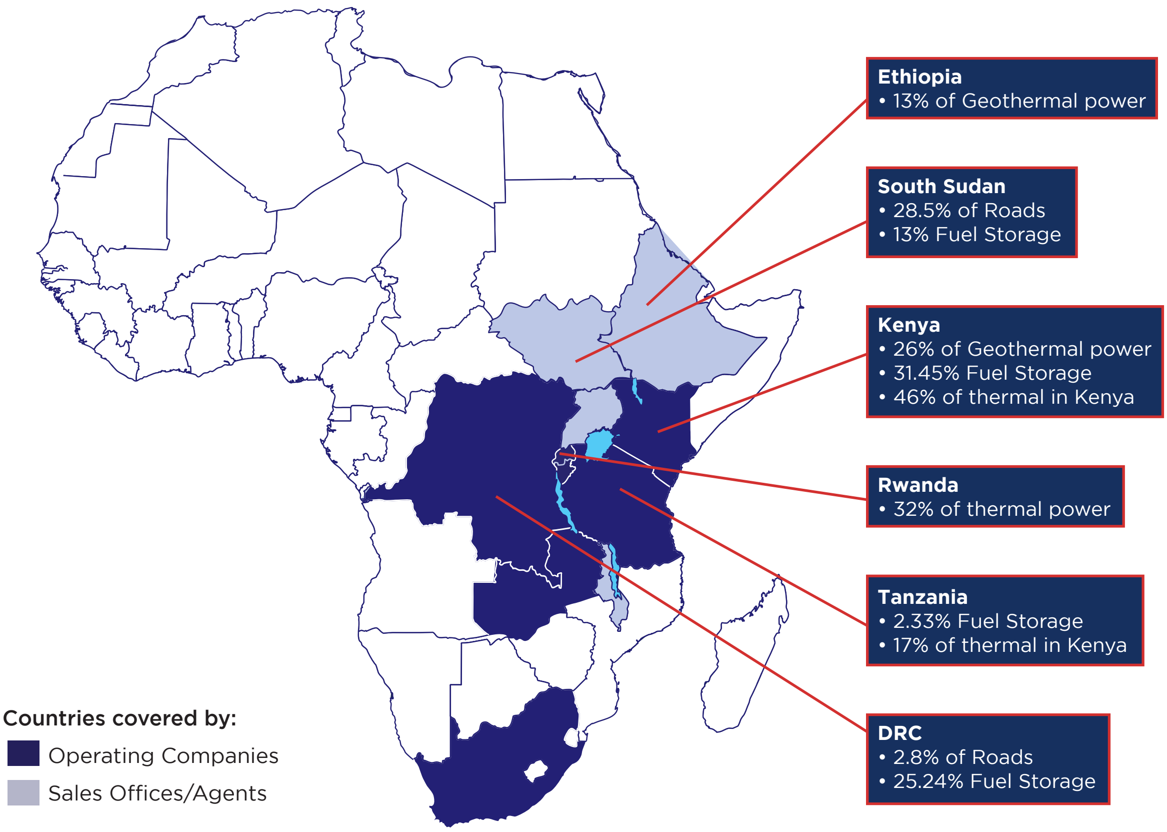
OUR VALUES
ENTREPRENEURIAL

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

TC's contribution to African Infrastructure Development



TC project experience in line with UN SDG's

ROADS

2.8% DRC

28.5% South Sudan

THERMAL

Tanzania 17%

25.24% Rwanda

31.45% Kenya

GEOTHERMAL

2.33% Ethiopia

25.24% Kenya

FUEL STORAGE

DRC 25.24%

South Sudan 13%

2.33% Tanzania

31.45% Kenya

All above figures are as per 2016 data

Group Corporate Social Responsibility

TransCentury PLC believes that being a responsible and contributing corporate citizen is a key Component of the Group's Business Strategy through its CSR Policy. The Group is committed to the empowerment, development, and growth of the Community.

Strategic Focus.

- Make a positive and sustainable impact on the quality of life of the communities in which TC operates.
- Develop and empower disadvantaged communities through skill transfer and training.
- Attract and retain quality socially responsible staff at TC.
- Increase customers goodwill and loyalty.

ABOVE LEFT: TC GCEO Nganga Njiinu (right) hands over the keys to a containerised clinic to Kenyatta National Hospital for a Covid 19 testing and quick isolation option compared to tents.

ABOVE RIGHT: In January, TransCentury PLC staff had the opportunity to visit and donate to needy mothers at Lango Clinic in Nairobi through the Toto Care Box Africa Trust.

LEFT: Staff from EA Cables Ltd. a subsidiary of TC visited the By Grace children's home in Kayole Estate Nairobi, and donated foodstuff.

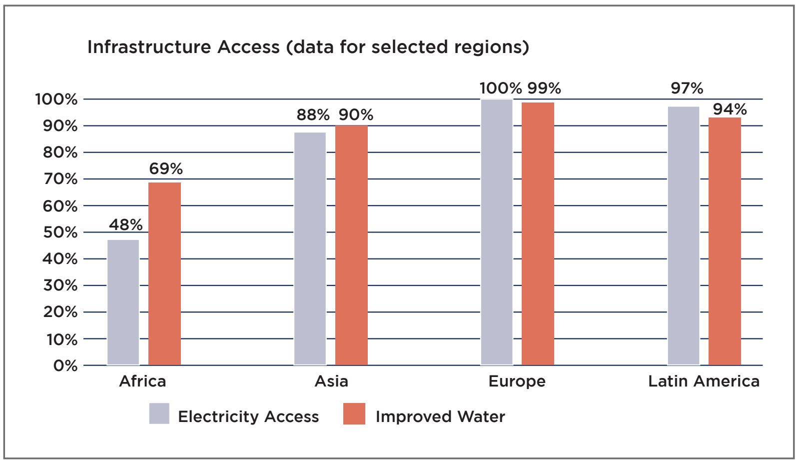
Business Review

Africa Infrastructure Paradox

Infrastructure is critical for fostering economic growth and improving living standards. Infrastructure contributes to poverty reduction, human development and the attainment of the United Nations Sustainable Development Goals (SDGs).

Sub-Saharan Africa (SSA) ranks consistently at the bottom of all developing regions in terms of infrastructure development, and an increasing number of observers point to deficiency in infrastructure as a major obstacle for growth and poverty reduction across the region.

Despite the fact that the need is obvious and the benefits clear, Africa continues to struggle to achieve meaningful progress. Relying on foreign solutions is now clearly one of the major impediments to successful widespread infrastructure development.



Source: AFDB African Economic Outlook 2018

"Local problems require local solutions - TransCentury invests in infrastructure products, project's and services to deliver superior sustainable value to all stakeholders..."

According to the African Development Bank, Africa's infrastructure needs are estimated to be about USD 130 - 170 billion per year with a funding gap of USD 68 - 108 billion. On the other hand, international investors have considerable appetite for African infrastructure projects. According to McKinsey, such investors could have as much as USD 550 billion in assets under management. The appetite varies across asset classes as some investors are eager for the returns (and risk) associated with greenfield development, while others are more attracted to the steady performance of brownfield assets.

This presents an interesting situation, whereby there is need and availability of funding, together with a large pipeline of projects but not enough funds are being channeled towards developing the continents infrastructure.

This mismatch can be attributed to:

TransCentury opportunity		
No.	**Challenge**	**TransCentury value proposition**
1.	**Limited deal pipeline or selection of low-impact projects** - often due to the lack of a long-term master plan that can bridge political cycles. A shorter-term focus may result in the unwillingness to develop larger, more impactful projects, as well as inadequate infrastructure-policy frameworks leading to poor prioritization of infrastructure projects.	TC team is actively engaged in developing high impact projects both long and short term with attractive returns. This provides an attractive avenue for investors to gain exposure to African infrastructure.

Business Review... *continued...*

No.	Challenge	TransCentury value proposition
2.	**Weak feasibility studies and business plans.** Developers and governments often lack the crucial capabilities and resources, including the capacity to assess key technical and financial risks associated with large-scale infrastructure projects. "Private sector players generally do not invest sufficient time and effort in developing a strong feasibility study," said one public-private partnership expert at an African finance ministry.	TC is committed to following internationally recognized environmental, social, and governance standards in its operations. Through the allocation of sufficient resources to conduct thorough due diligence, the investment decision is adequately supported and documented giving investors a reasonable basis.
3.	**Delays in obtaining licenses, approvals, and permits.** These issues may include a lack of capacity and motivation by government agencies to get projects off the ground; a lack of coordination between responsible agencies; and community resistance to some projects.	TC leverages its close relationships with stakeholders in the markets we operate in to mitigate project delays. TC team conducts stakeholder impact analyses and uses the feedback obtained to ensure all stakeholders requirements are met for smooth project implementation.
4.	**Inability to agree on risk allocations.** This is a result of skill gaps in quantifying and correctly allocating risks to their natural owners—a challenge that persists in even the most sophisticated public agencies worldwide. Another common problem is an excessive focus on risk avoidance as opposed to risk management and mitigation.	TC has an experienced investment team with a track record of deal sourcing, structuring and execution for success. Through environmental impact assessments (EIA), project risks are documented and risks are allocated to their natural owners.
5.	**Poor program delivery.** This is the result of insufficient capabilities in planning (including technical design), managing, and execution of large projects.	
6.	**Inability to secure offtake agreements and guarantees.** A primary cause is governments that are unable to provide sovereign guarantees, as a result of weak balance sheets.	TC is a permanent capital vehicle. Using its own balance sheet and leveraging on its strong relationships with other financial institutions, TC is able to raise sizeable equity cheques for project implementation.

At TransCentury, we advocate that local problems require local solutions. With the company's tagline being "Impacting Africa", TransCentury invests in infrastructure products, projects and services to deliver superior sustainable value to all stakeholders. TransCentury has the capability to develop both greenfield and brownfield infrastructure projects and services that serve to reduce the African infrastructure gap. The company engages both the public and private sectors with the aim to identify, develop and implement infrastructure projects as well as supply critical infrastructure products to close the African infrastructure gap.

Sustainable Development Goals (SDGs)

SDGs that align with TC Group Capitals.

TransCentury employs its financial, human, intellectual, manufacturing, and social and relational capitals in the development of infrastructure projects and products that are in line with the United Nations SDG's. The summary below highlights the impact of TC Group in meeting the SDG's;

1. **Goal 6 - Clean Water and Sanitation;** The Engineering Division has been involved in projects that provide sanitation services that:

- Improve water quality by reducing pollution, minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and recycling and safe reuse (deploy new technology to access clean water reducing and recycling safe reuse).
- Protect and restore water-related ecosystems, including forests, rivers and lakes Example is the Achwa Hydro project in Uganda

2. **Goal 7 – Affordable and clean energy;** TransCentury through its Power and Infrastructure projects Division has been involved:

- Providing access to affordable, reliable and modern energy services
- Developing renewable energy projects. Some of the projects include geothermal (Olkaria 5), wind (Lake Turkana Wind Park) and hydro (Achwa Hydro Project)
- Producing equipment (cables and transformers) that increase energy efficiency

3. **Goal 9 – Industry innovation and infrastructure** – TransCentury Group is involved through:

- Develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being
- Upgrading infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

4. **Goal 10 – Reduced inequality** – TransCentury Group promotes equality through:

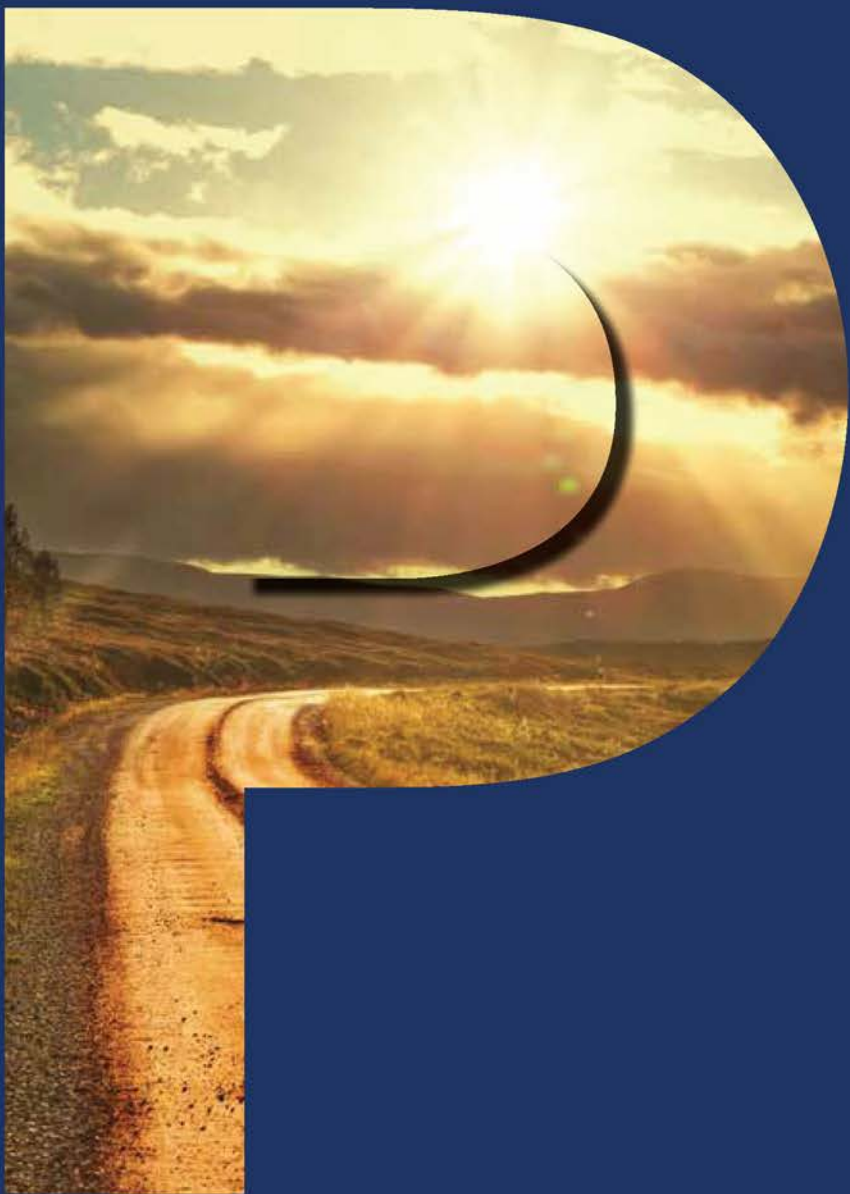
- Empowering and promoting the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
- Creating an equal opportunity environment through eliminating discriminatory laws, policies and practices and promoting appropriate policies and action in this regard
- Adopting policies, especially wage related that aim to progressively achieve greater equality

5. **Goal 12 – Responsible consumption and production** – TransCentury Group supports this through:

- Adopting sustainable practices and integrating sustainability information in our reporting cycle
- (reduction of scrap/ wastage by deploying TPM, proper disposal of oil and reuse)

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

Risk management and control

Principal Risk Management

Strategic Risk

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 2019, South Africa's general election was successful done with the new government promising to tackle corruption and improve the economy. The political climate in the other 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 review, 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. In November 2019, section 33B of the Banking Act which provided for capping of interest rates was repealed. 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 2019, our market position was greatly strengthened as the Group continued to find innovative solutions for funding operations and optimizing the capital structure, resulting in 34% growth in revenue.

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.

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 Framework which involves continuous review of our risks and implementation of mitigating actions to ensure compliance. This Framework is further explained on pages 23 to 25.

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. 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

Risk management and control *continued*

"...revenues in Kenya grew by 40% compared to the same period in 2018, with a growth of 26% in the other markets..."

liabilities mature or re-price at different times or in differing amounts. The company does not have any significant interest rate risk exposures as currently all interest bearing borrowings and advances are at a fixed rate. Further details are presented on note 5 (c) ii).

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. There was no significant exchange rate movements for the main currencies applied during the year. Further details are presented on note 5 (c) i).

Highlights of business performance 2019

Optimization of Capital Structure

The Group continued to focus on optimizing the capital structure through debt restructuring and acquisition of new capital.

In the year ended 31st December 2018, the Group had achieved debt restructuring at the TransCentury Holding company and two material subsidiaries. In the year under review, East African Cables PLC, a subsidiary company, successfully restructured a debt facility which resulted in a gain arising from negotiated settlement discount of KShs 1.56 Billion, and extension of tenor ten (10) years with moratorium of six (6) months and twenty-four (24) months on interest and principal respectively. Further details of this transaction are presented on note 34.

Improvement in Order Book

The Group continues to prioritise commercial relationships, retaining an order book in excess of KShs 14 billion to be executed over 18 months at the end of 2019.

Regional Diversification of Revenue Streams

The Group continues to focus on regional diversification as a way to address any localised challenges in a given market. In 2019, 40% of the Group revenues was from markets outside of Kenya (2018: 43%). Revenues in Kenya grew by 40% compared to the same period in 2018, with a growth of 26% in the other markets. Growth in Kenya was underpinned by the introduction of new innovative products and services, and these provided tailwinds for growth in the other regions into the future.

Also growth was boosted by improved liquidity position in some Kenya businesses on the back of successes in our turnaround plan

Risk management and control *continued*

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 primary and secondary infrastructure in Sub-Saharan Africa, creating a window of opportunity for existing players.
- Increased power generation capacity in the region creating the need for enhanced transmission and distribution infrastructure. Projects include Grand Renaissance dam in Ethiopia, Stieglers Gorge in Tanzania.
- 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 continued enforcement of the Government's policy promoting local sourcing of key infrastructure products and services.
- Embrace of sustainable infrastructure in the region. African governments are embracing the sustainability agenda, and more specifically the concept of decarbonization. Many are making significant investments towards sustainable development projects that are in line with the Paris climate talks.
- Private participation in infrastructure development. African governments are making great strides towards opening up their infrastructure sectors to private finance. This is evidenced by increased number of PPP (public private partnerships) in various sectors including health, education, transport and energy.

TransCentury is well poised to positively impact the development of the African region by continually improving on our value proposition of:

- An experienced investment team with a track record of deal making
- Close relationships with stakeholders in the markets we operate in
- Access to competitive finance, from our project partners
- Commitment to following internationally recognized environmental, social and governance standards
- Providing patient capital with attractive terms

Environment matters

The operating Divisions have well-documented health, safety and environment policies and procedures. The Group operates an environmental management system that meets the local standards and is audited for compliance.

Information on Employees

The Group directly employed 1,127 staff members by the end of 2019 (2018: 1,039) spread across 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.

Risk management and control *continued*

Rigorous risk management is essential to the achievement of our strategic objectives and sustainable value creation and is a key element of our business model.

Our approach

We believe that great risk management starts with the right conversations to drive better business decisions. Our approach to risk management covers all types of risks strategic, financial, operational, reputational, environmental and compliance risks. Our approach is holistic and integrated, and our risk and compliance programme brings together our approaches to risk management, internal controls, and compliance and ethics, ensuring that our activities across this agenda focus on the risks that could have the greatest impact.

Accountability for managing risk is embedded into our management structures. Each subsidiary and function undertake an annual risk assessment, establishes mitigation plans and monitors risk on a continual basis. Similarly, our Executive annually assesses risk and the Board independently reviews the assessment. Our Executive Audit & Risk Committee receive regular reports on the risks faced across the business and the effectiveness of the actions taken to mitigate these risks.

We use data to monitor our risks to make proactive interventions. We also establish cross-functional working groups internal audit where necessary to ensure significant risks are effectively managed, and where appropriate escalate these to the Executive and Board for consideration. We also conduct horizon-scanning activities to identify potential disruptive forces that could alter the risk profile for our business and adapt our mitigation plans accordingly.

Risk appetite

The risk appetite of the Group is considered in relation to the principal risks and their impact on the ability to meet its strategic objectives. The Board assesses the Group risk appetite, which is set to balance opportunities for business development and growth in principal areas, whilst maintaining reputation and high levels of stakeholder satisfaction. Within the context of risk management, the Board communicates the principal risks appetite and tolerance through the Group strategy planning process.

Minimizing risk

We use our risk management system to help us minimize risks across the business, achieve our strategic objectives and create sustainable value for our stakeholders. We have identified the potential risks that relate to achieving the suitable development goal's and incorporated them into our risk management system. There are targets that are relevant to our own business and to which we can contribute. We have evaluated our impact on these target areas and are working to maximize our positive impacts and minimize any negatives.

Our robust risk management framework considers sustainability, ensuring that risks are appropriately identified, assessed against tolerance levels, and managed Group-wide.

Our risk management is supported by a bottom-up approach and reviewed from the top-down. This ensures all employees are engaged in the process, while our Board and executive management ensure alignment with our Group strategy.

Risk management and control *continued*

Our approach to risk

OUR RISK APPROACH

1. RISK IDENTIFICATION AND DOCUMENTATION

Our policy is to identify and assess risks at the earliest possible stage and to implement an appropriate risk response and internal controls in advance. Our risk management procedures are designed to delegate the responsibility for risk identification while avoiding gaps and duplications, and are embedded into accounting and documentation systems to identify information on potential risk triggers. risk identification system considers not only single, mutually exclusive risks, but also multiple linked and corrilated risk

2. RISK ASSESSMENT

Once identified, potential risk factors are assessed to consider the quantitative and qualitative impact that they might have on the business and the likelihood of the event

Together these create a risk profile. Risk matrices and heat maps are used to record, prioritise and track each risk through the risk management process.

3. DEVELOPMENT AND IMPLEMENTATION OF RISK MITIGATION STRATEGIES

- When the appropriate ranking has been identified, a response to each risk is formulated and implemented.
- Management assesses the effects of a risk's likelihood and impact, as well as the costs and benefits of possible mitigating actions.
- A response is then determined and implemented to bring the risk within acceptable tolerance levels.

4. MONITORING AND REPORTING

Ongoing monitoring processes are embedded In TC PLC business operations. Risk matrices and assurance maps are used to re-evaluate and adjust controls in response to changes in the Company's objectives, its business and the external environment. Management is responsible for the implementation of effective follow-up procedures to ensure appropriate actions occur in response to changes in risk and control assessments.

Risk Governance Framework

At TransCentury Group we maintain a robust and sustainability-conscious risk management framework, which ensures that risks are properly identified, assessed against tolerance levels, and appropriately managed across the Group. Our risk management system is designed to minimize the potential threats to achieving our strategic objectives. The process is underpinned by a bottom-up approach and examined from a top-down perspective, ensuring adequate involvement of the Board and executive management, and alignment with the Group's strategy.

The global and local markets, in which we operate, remain volatile with shifting commodity prices and exchange rates, macroeconomic instability and unpredictable climatic conditions. The Board is responsible for carrying out a thorough assessment of the principal risks facing the Company, including those threatening stakeholders, values, the business model, operations, social and environmental issues, future performance, solvency, or liquidity.

Risk management and control *continued*

Risk governance framework

	LEVEL	FUNCTIONS	AREAS OF FOCUS
Top down	THE BOARD	Governance and oversight at Corporate level	• Set the tone on risk management culture • Maintain sound and effective risk management and internal control system • Define risk appetite and approve risk management policies, guidelines, and processes • Responsible for principal risks identification and ongoing monitoring of the Group's risk exposure to ensure that material matters are managed in alignment with strategic objectives
	THE BOARD COMMITTEES	Assistance to the Board by reviewing and monitoring of key risks and procedures	• On behalf of the Board, the Audit and Risk Committee reviews the effectiveness of the risk management process and develops and oversees implementation of risk management strategies. • The Safety and Sustainability Committee measures the impact of the Company's initiatives and helps the Audit and Risk Committee manage sustainability risks
	INTERNAL AUDIT FUNCTION	Support the Audit and Risk Committee in evaluating the Group's risk profile and internal controls implemented by management	• Define and monitor the risk management process and mitigation tools and actions • Plan and execute assurance activities to ensure there are policies and procedures in place to support the effectiveness of the Group's internal control system • Prepare regular risk and internal control reports for approval by the Audit and Risk Committee and maintain the Risk Assurance Map • Perform risk analysis on growth projects, detailing the specific conditions and risks faced by the new project
Bottom up	OPERATIONAL MANAGERS	Operating risk management across Group operations and exploration	• Risk awareness embedded into day-to-day operations • Risks identification and assessment performed across business operations on the everyday basis • Implementation of risk mitigation programmers and operational monitoring of internal controls

Risk management and control *continued*

Key risk movements

Principal risk	Key controls and mitigating factors
1. Health and safety The group has operated potentially hazardous sites. The operation of these site exposes our employees to variety of health and safety	• Risk assessment of individual workplaces and the use of safety equipment for the protection of employees. • Reinforcement on the need for individual responsibility for personal safety and risk awareness and developed additional security measures to ensure strict compliance with safety requirements by employees. • A proactive and well-functioning Group's Health and Safety Policy, which serves as the basis for the Occupational Health and Safety Management System (OHSMS). The Group follows industry's global best practices in managing these risks and ensuring safe working conditions for our employees. Our OHSMS ensures compliance with international, national, and local regulatory requirements and is based on modern standards. • The existence of strong safety procedures across all its operating mines and implementation of additional measures to ensure proper enforcement of these stricter safety standards. We have intensified training programmes, with a focus on high-risk functions, and implemented several other measures, including a change in underground mining methods at certain sites. • Continuous detailed review of the sources of risk and further improving the shift risk assessment system, as well as conducting an internal audit of health and safety.
2. Environmental risk Major pollution arising from operations include air and water pollution, land contamination. Potential impacts include fines and penalties, statutory liability for environmental redemption and other financial consequences that might be significant.	• The Group operates an environmental management system that meets the local standards and is audited for compliance. • Implementation of several initiatives to monitor and limit the impact of the group operations on the environment, including an assessment of the pollution generated and adopting industry best practice for corporate and manufacturing level policies and procedures. • The Group has designed and is in the process of implementing a climate risk management system to ensure the sustainable development of the group compliance with legal requirements and investors' expectations.
3. Liquidity risk The inability to raise sufficient funds to meet current operating or ongoing financial needs or to develop new projects and growth. Inadequate cash management in terms of cash flow forecast, available resources, and future requirements.	• The Group's Finance function is responsible for ensuring that there are sufficient funds in place, including loan facilities, cash flow from operating activities and cash on hand to meet short-term business requirements. Long-term credit lines and borrowings are used to finance new projects and organic growth. • The Group risks ensures that significant undrawn committed facilities are in place to cover any funding gaps • Strict expenditure plans • Negotiating with lenders - Moratoriums for favourable terms.

Risk management and control *continued*

Principal risk	Key controls and mitigating factors
4. Legal risk Our operations are in different countries and jurisdictions in East and South Africa , involves the risk that changes in tax and other legislation may occur from time to time. The most sensitive areas are regulation of foreign investments, private property, environmental protection, regulatory policies, and taxation. The governments in various countries have become more consistent regarding the introduction of new regulations and taxes, demonstrating an awareness of investment climate issues. As a result of changes in laws and regulations, certain types of transactions and technologies may become unavailable to the Group or the costs of compliance may be increased.	• TC Plc has a successful track record of operating in East and South Africa having developed well-structured compliance team in corporate, tax, licensing, and other legal areas. Corporate and operating management teams are responsible for meeting the legal requirements in their operating activities. Head office and on-site legal teams guarantee appropriate controls over compliance issues. • The Group's policy is to ensure strict legal compliance in all jurisdictions where Group companies operate. The Group's internal auditor and Compliance teams monitor current legislation and proposed changes, and incorporate these into the practice, involving leading external experts where appropriate.
5. Currency risk The risk arises from Company's receipts from goods sold and foreign currency denominated payables and receivables, as well as the foreign currency denominated cost of imported raw materials goods and consumables.	• Revenue is matched with US Dollar-denominated debt. Flexible budgeting is used to monitor the effect of exchange rate fluctuations on the Group's financial results. • The Group has determined critical exchange rates levels for its operations and is monitoring risk against these levels. During 2019, there was moderate volatility of the various local currency exchange rates against foreign currencies. The Group believes that material re-appreciation of these currencies is unlikely
6. Interest rates risk The Group is exposed to the interest rate risk as the significant part of the Group's debt portfolio is US Dollar-denominated floating rate borrowings.	• The Group monitors the interest rates on USD dominated financing although market interest rates continued to increase during the past 12 months, the magnitude of risk remains low due to the comfortable leverage position of the Group and the low share of interest costs in total expenditures. • Management proactively negotiates interest rates with banks for potential financing deals include assessment of their fixed versus floating and stress testing against various market rates dynamics

Risk management and control *continued*

Principal risk	Key controls and mitigating factors
7. Construction and development risk Inability to achieve target return on capital for large investment projects, such as building new roads and processing facilities or extension/refurbishment of existing operating once , due to delay in commissioning or capital expenditure overruns. This may have a negative impact on the Group's financial performance and cash flows	• The Group applies global best practices in project management. The Group's technical personnel oversee the project's capital expenditure, including project support, supply chain management and permitting process. • A significant share of projects is developed by the in-house engineering company Civicon, which has vast experience and a successful track record of design and construction. • Continuous improvement of the construction risk management systems and employing leading world-class consultants in applicable areas
8. Political risk Operating in various countries and jurisdictions involves some risk of political instability, which may include changes in government, negative policy shifts and civil unrest. Increased political tensions and economic instability; there is a risk that further sanctions could impact the Group's ability to operations In addition, there is a risk that due to the deterioration of the macroeconomic situation, governments may consider imposing currency controls and limitations on capital flows. These factors are not expected to affect the Group's operating performance yet may have a negative impact on the ability of the Group to secure external financing. These factors may have an adverse effect on the Group's market value and operating environment.	• The Group actively monitors political developments on an ongoing basis. We aim to maintain open working relationships with local authorities in the countries where we operate. • The Group has designed and implemented a Sanctions Monitoring Policy, aimed at preventing violations of any applicable sanctions regime in the Group's operations.

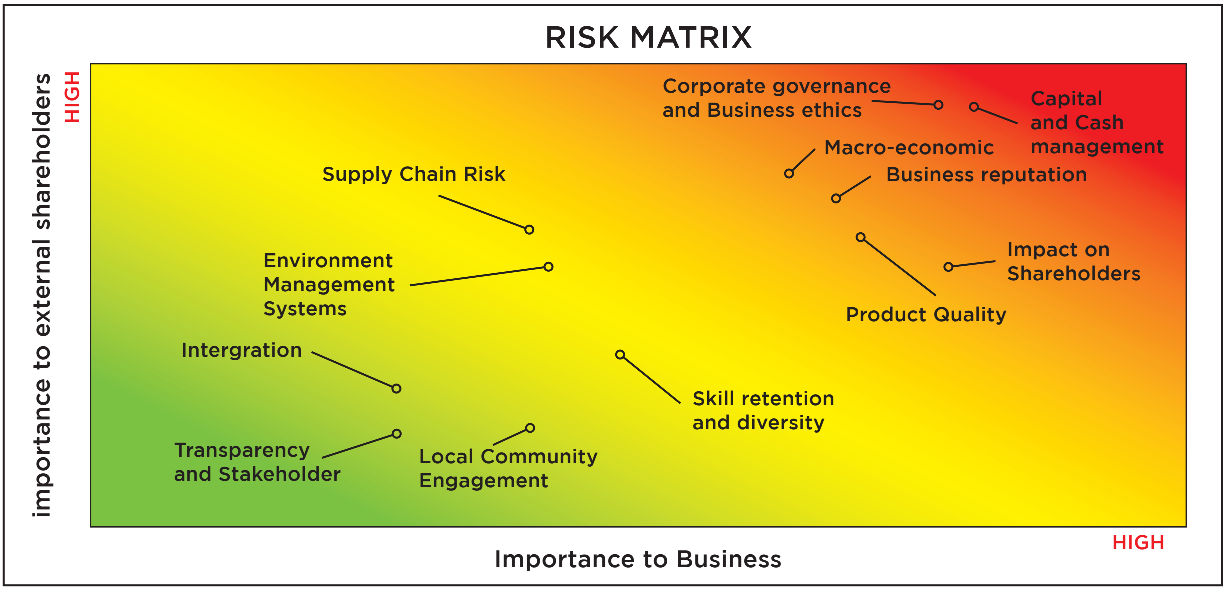
Risk management and control *continued*

Materiality matrix

TransCentury considers the materiality analysis as an important tool to identify the most relevant key risk drivers that are consistent with its business strategy.

In terms of risk reporting, the topics deemed as material (or relevant) are those that have a significant impact on the economic, social, and environmental performance of the Group or that may substantially influence stakeholders' perceptions and decisions.

The risk drivers are not to be seen in isolation as they may trigger or reinforce each other



Njogu Kariithi (left), Chairman, Board Audit, Risk and Compliance Committee flanked by Board members Kamal Pallan (center) and Walé Odeosun at the 2018 AGM press briefing breakfast .

Ahidi
Our Promise

OUR VALUES
INNOVATIVE

We seek to create new ideas, methods and systems as we impact Africa.
#TheTCway

Board Of Directors...

SHAKA KARIUKI
Chairman, (50 years)

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.

NGANGA NJIINU , CFA
Group CEO TransCentury (41)

Nganga Njiinu has over 20 years' experience in investments, strategy implementation and operations. Since joining TransCentury Group in 2008 Njiinu has held various leadership roles in corporate finance, portfolio management, business development as well as originating and developing opportunities in the infrastructure space. In addition, Njiinu has had deep experience in developing infrastructure projects in the areas of mining, energy, rail, and roads. Since taking up the CEO role in 2016, Njiinu has led the Group through an extensive restructure that has led to reduction of debt by USD 55m and the restructure of USD 52m of debt, in addition to a Groupwide organisation redesign reflecting Group's strategic direction. Under his leadership, the Group has attracted over USD50m of additional funds into the business and successfully exited infrastructure projects and portfolio investments.

Prior to joining TransCentury, Njiinu worked for Coldwell Banker Residential Brokerage in the USA for 7 years, where he oversaw strategic initiatives, financial planning, and analysis as well as evaluation and integration of acquisitions.

Njiinu holds 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, he is also a CFA charter holder.

Board Of Directors *continued*

WALÉ ADEOSUN, CFA
Director (58 years)

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,

WANJUKI MUCHEMI
CBS - Independent Director (67 years)

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.

Board Of Directors *continued*

ANNE MUTAHI
Independent Director (58 years)

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 BIashara 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.

VIRGINIA NDUNGE
Company Secretary (49 years)

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*

KARIITHI NJOGU
H.S.C - Independent Director (70 years)

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.

KAMAL PALLAN
Director (45 years)

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.

Our Leadership Team...

Group Management

1.

2.

3.

4.

5.

6.

7.

1. **Nganga Njiinu**
   GROUP CEO
2. **Martin Munyiri**
   GROUP CHIEF FINANCE OFFICER
3. **John Mugo**
   GROUP CHIEF OPERATIONS OFFICER
4. **Phyllis Gachau**
   GROUP HEAD OF CORPORATE AFFAIRS & INVESTOR RELATIONS
5. **Florence Murerwa**
   GROUP HEAD OF HUMAN RESOURCES
6. **Trevor Okoth**
   GROUP HEAD OF INTERNAL AUDIT, RISK & COMPLIANCE
7. **Evelyne Wanjiku**
   HR & ADMIN. MANAGER, TC PLC

Our Leadership Team *continued*

Subsidiary Management

POWER DIVISION

East African Cables

1. Paul Muigai
   GROUP CEO, KENYA
2. Joseph Kinyua
   FINANCE MANAGER,
3. Dr. Gerald Gatitu
   COMMERCIAL MANAGER
4. Esther Lulonde
   HR & ADMIN MANAGER,
5. Joseph Kamau
   PRODUCTION MANAGER,
6. Geoffrey Odhiambo
   GENERAL MANAGER, TANZANIA

Tanelec

7. Zahir Saleh
   MANAGING DIRECTOR, TANZANIA
8. Justin Gitia
   FINANCE MANAGER, TANZANIA
9. Edrick Mwenda
   OPERATIONS MANAGER, TANZANIA
10. Michael Kariithi
    COMMERCIAL MANAGER, TANZANIA
11. Charles Moono
    GENERAL MANAGER, ZAMBIA
12. Mwewa Kabalash
    HR & ADMIN EXECUTIVE, ZAMBIA

Our Leadership Team *continued*

Subsidiary Management

POWER DIVISION

CDC

Joshua Mauti
ACTING GENERAL MANAGER

Kewberg

Steven Wanyoike
GENERAL MANAGER

ENGINEERING DIVISION

AEA

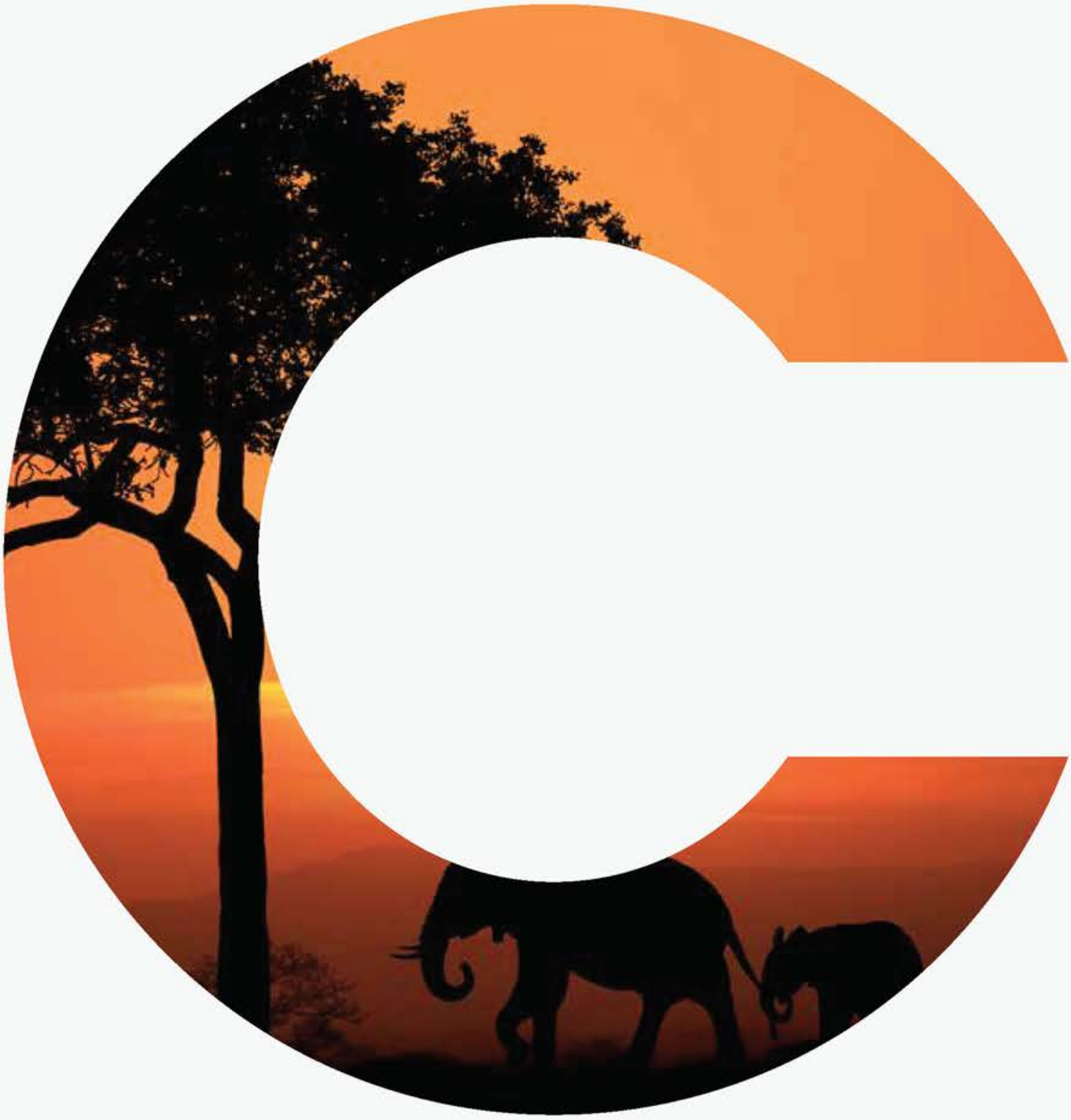
1. **Nicholas Kithinji**
   CEO
2. **Anthony Mwangi**
   FINANCE MANAGER,
3. **David Alumasa**
   COMMERCIAL MANAGER
4. **Salome Ndiritu,**
   HR & ADMIN MANAGER,

Civicon

5. **Ben Kiilu**
   ACTING CEO
6. **Geoffrey Njue**
   FINANCE MANAGER
7. **William Buluma**
   BUSINESS DEVELOPMENT MANAGER

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

Group Chairman's Statement

"The region is characterised by a growing population, increased commitment by respective Governments in infrastructure development... as well as the passing of robust legislative frameworks that provide a conducive environment for investment..."

Dear Shareholders,

I write to you with a sense of great optimism for what lies ahead for TransCentury Group. 2019 was characterised by great progress, setting the business favourably for growth. We have seen remarkable progress in strengthening the balance sheet through significant debt reduction and restructuring, positioning the business to attract capital.

On the other hand, the financial results demonstrate impressive growth in the top line driven by increased orderbook execution in key subsidiaries of the business, testament of the commercially sound opportunities the Group continues to attract due to the competitive advantage that TC Group has. I am particularly proud of two of our investments namely AEA our investment that provides solutions to enhance infrastructure efficiency and sustainability and Tanelec our transformer manufacturing business based in Arusha, Tanzania. These businesses recorded over 34% growth in revenue, testimony of the effort gone into positioning the businesses favourably to access working capital, an area we had highlighted previously as a major challenge and focus.

Group Chairman's Statement *continued*

"The clarity in which we have identified focus areas to turn around the Group and the zeal we have employed in pursuing them are bearing fruit..."

Business Environment

The major markets in which our main assets operate from namely Kenya, Tanzania and Uganda recorded GDP growth rates of 5.6%, 6.3% and 4.9%, respectively a drop from 6.3%, 7.0% and 6.3% in the previous year. The markets however continue to be attractive for our investments despite the geopolitical uncertainties and varying macroeconomic environments. The region is characterised by a growing population, increased commitment by respective Governments in infrastructure development and enhancement programs as well as the passing of robust legislative frameworks that provide a conducive environment for investment. TC has been operating in this market for over twenty (20) years and is well placed to pursue strategic opportunities as they present themselves in addition to supporting our investee companies on their growth paths.

Ahidi 2018 – 2022 strategic plan

The Board of TransCentury continues to provide oversight and strategic direction to the Group guided by our 5-year strategic plan that has allowed us to zero in on key levers of our business that needed to be addressed. In 2019 we completed the reprofiling of debt as stated above a key milestone in deleveraging the business and positioning it favourably for funding. Our focus now is on the fundraising lever and post year end we announced a Rights Issue transaction. The Rights Issue is scheduled to be approved in the next shareholder meeting with funds from the transaction going towards providing the much-needed liquidity to the operating businesses.

Corporate Governance and Sustainability

TC is committed to upholding sound Corporate Governance practices as well as ascribing to ethical standards, we are cognisant of the fact that good Governance plays a vital role in achieving strategic objectives laid out. In 2019 the Group Board continued strengthening the Governance structure in the operating units by reconstituting the Boards to reflect diversity and I am proud to report that we have put together a team with diverse skills and expertise in the Group Board as well as the Boards in the operating businesses TC has invested.

Conducting our business sustainably remains a key priority for us, TC is committed to not only focus on sustainability within the Group but also in the communities in which we operate in. We are intentional about ensuring our employees work in a conducive environment and their welfare remains a priority. In addition, across the Group, our teams are working hand in hand with communities around our businesses to provide support where needed and to join hands for the common good of everyone. Environment, Social and Governance pillars remain key focus areas for the Group.

Outlook

The clarity in which we have identified focus areas to turn around the Group and the zeal we have employed in pursuing them are bearing fruit. TC has unrivalled assets, is located in a region with a promising macro-economic environment and is steered by a team of skilled and committed Board and Management.

I take this opportunity to thank all our stakeholders and especially our shareholders for the faith you have put in the TC Board. I thank the staff and management of TC Group for the commitment they have demonstrated even in challenging times with a focus on achieving the laid-out objectives. It is the support and commitment of all our stakeholders that allowed us to make significant progress in 2019 and in the future.

Sincerely,

Shaka Kariuki
TransCentury PLC Chairman

GCEO's Message to Shareholders

"Funding the business remains our number one challenge and equally our priority going forward..."

Dear Shareholder/member,

2019 was a year of remarkable progress in key levers of our business, as we focussed on value preservation in our turnaround plan. Our concerted efforts guided by the four (4) pronged turnaround plan unveiled in 2017, resulted in increased revenues, reduced operating costs, and a positive EBIDTA after 2 years of reporting a negative position. Though the business reported a loss in the year under review, primarily as a result of impairments, traction gained is testament that the business has laid the right building blocks to ensure a turn around.

Key highlights

Allow me to take your through key highlights from the 2019 performance and the business position.

The Group recorded a 34% growth in revenue driven by outstanding performance in our portfolio businesses and especially in two of our investments namely Tanelec, the transformer manufacturing business in Tanzania and AEA, our trading business that focuses on the provision of solutions that enhance infrastructure efficiency and sustainability. Both investments recorded over 60% growth resulting from robust business development efforts that saw them attract high quality orderbook, as well as innovation in both funding working capital and product diversification.

GCEO's Message to Shareholders *continued*

Debt reprofiling remained a key focus in line with the turnaround plan, and in 2019 the Group successfully completed the debt restructuring exercise with a significant debt refinance and restructure at East African Cables. This cumulatively reduced the Group commercial debt by 40% since 2016, increased the debt tenure across the Group with most facilities falling between 5-10 years and reduced debt service cash flow. It is this progress that has allowed the businesses in the Group to redirect more of the operating cash to fund working capital and results can already be seen in the top line.

Another key lever that we track is our operating costs, ensuring across the Group our investments execute their mandate efficiently. In 2019, the Group recorded 18% saving in operating costs whilst pushing commercial efforts to ensure growth.

Capital optimisation remains our most important function and we continuously evaluate our investments to ensure we make quick and decisive decisions. Driven by this, in 2019 we strategically scaled down operations in some of our portfolio businesses whose operating environment were not conducive for growth. This prudent action allowed the Group to stem any further erosion of value in line with our key mandate of preserving value for the shareholder. As a result of this decision, the Group booked a significant impairment loss related to goodwill carried in one of the scaled down units as well as increased deferred tax expense. Although this is a one off non-operating hit in the Group numbers, it has had a significant effect in the bottom line resulting in a 13% increase in loss. It is worth noting that the aggressive top line growth despite the scaling down in some businesses is a testament that our capital reallocation strategy is bearing fruit. We look forward to the coming years where the benefit from the reallocation will be felt in the absence of the one-off impairment.

Operating environment

The East Africa Region in which 90% of the Group's investments operate in recorded an average GDP growth of 5.6%, a modest growth compared to 6.5% in 2018. On the other hand, the investment environment in which we operate remained favourable especially in infrastructure development with the Energy, Water and Transport sectors still taking the lion share of Government budget allocation, sectors that are of great interest to TC. In Kenya, our main market, focus by Government to continuously develop a conducive and sustainable business environment especially in local manufacturing is a welcomed advantage that we continue to leverage on.

However, access to capital that matches our needs continues to be a challenge with available capital predominantly being short term which does is not fit for infrastructure development projects and services that tend to be longer term. To mitigate this challenge the Group has resulted in developing innovative funding structures, however, this is not adequate and has

GCEO's Message to Shareholders *continued*

"The Board and Management are committed to seeing the business is well capitalised in addition to continuing in building the blocks that have preserved value for our stakeholders."

limited the business ability to fully utilise available capacity and subsequently has slowed growth.

Post year end and as we moved into 2020, the world grapples with the spread and impact of the COVID 19 virus that not only cost lives but had a significant impact on the global and regional economic growth, with the effect estimated to last for at least 12 months going forward. The Group has put policies to ensure measures are put in place across the various investments to safeguard people as well as provide safe working environments.

Our people

We could not have achieved the progress made so far were it not for the commitment and ingenuity of the members of staff that TC has across the Group. As we work towards turning the Group back to profitability and growth, we recognise the integral role our teams have played and continue to do so. We continue to nurture the skills and experience that our teams boast by enhancing the skills through training and more so peer led training that helps transfer and strengthen key competencies. The continuous training especially in health, safety and lean manufacturing in our manufacturing and construction focussed investments have resulted in significant reduction of at work accidents, increased efficiency and enhanced staff performance.

In 2019, various teams across the Group led by their Boards retreated to develop their 5 years strategic plans that build into the TC Ahidi 5 years plan, this further allows for clear objectives and a collective vision.

We continue to strengthen our employee relations and engagements through well laid out human resource strategies across the Group that prioritise enhancing employee retention and overall motivation.

Focus Area

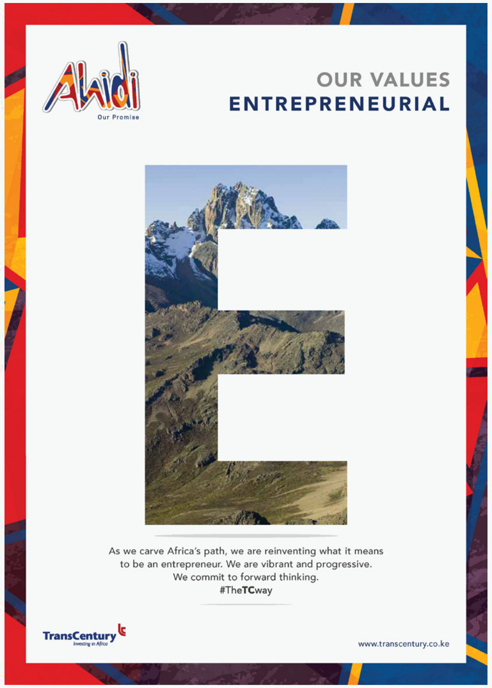
Securing the right funding for the business remains our number one challenge and equally our priority going forward. We have made great progress in building fundable businesses, we have worked even harder in ensuring we prepare this businesses for funding by dealing with the debt structures, we have invested in great businesses that are playing in lucrative sectors in our region and therefore and naturally we must focus on ensuring we raise funds to capitalise on the opportunities we are seeing. The Board and Management are committed to seeing the business is well capitalised in addition to continuing in building the blocks that have preserved value for our shareholders and this includes our people, our investments, and our stakeholders.

Yours Sincerely,

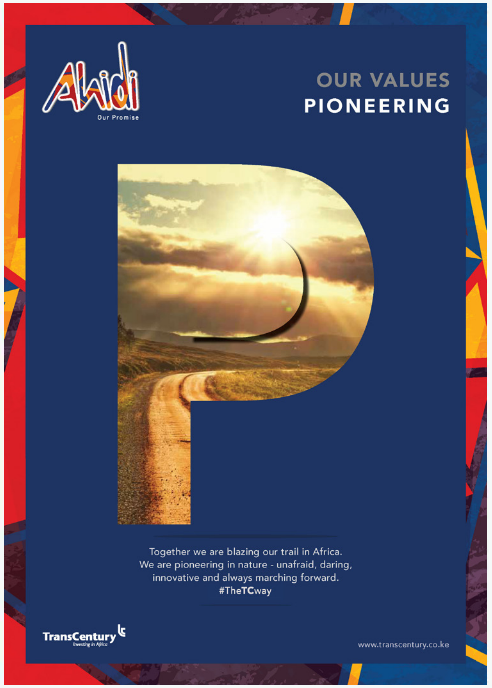
Nganga Njiinu
Group Chief Executive Officer

Our Core Values

TransCentury
Investing in Africa



Entrepreneurial



Pioneering

Innovative

Collaborative

Ahidi
Our Promise

Corporate Governance

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.

DIRECTORS EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to the directors for services rendered during this financial year ended 31 December 2019 are disclosed in the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the company is a party, whereby a director might acquire benefits by means of acquisition of the company's shares. All business transactions with the directors or related parties are carried out at arm's length. Such transactions have been disclosed.

RISK MANAGEMENT CONTROLS

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

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

BUSINESS ETHICS

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

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

Corporate Governance *continued*

BOARD OF DIRECTORS

- As at 31st December 2019, the Board consisted of the Chairman, Mr. Shaka Kariuki, five 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. Nganga Njiinu. The directors' biographies appear on page 34 to 37. 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 met on a Quarterly basis during the year, with additional meetings when necessary. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for the direction and guidance on general policy, the board has delegated authority for conduct of day to day business to the 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.

Tanelec Board and Staff celebrating after the launch of Tanelec's 5 year strategic plan with a rallying call "Pia Mimi"

Corporate Governance *continued*

Treatment of minority shareholders.

TransCentury PLC's Corporate Governance Framework ensures the equitable treatment of all shareholders, including minority shareholders. All shareholders have the opportunity to obtain effective redress for violation of their rights.

The TC Board Charter ensures the Board adopts a shareholders' perspective when making decisions and ensuring minority shareholders' interests are protected.

TC's Corporate Governance Framework has improved communication and interactions between minority shareholders, Board Members and Management.

The Board Charter ensures the Minority shareholders are duly accorded with their three basic rights:

The right to seek information.
The right to voice opinion.
The right to seek redress.

Regulatory Framework

Disclosure requirements under the Capital Markets Authority Act.

Shareholders' approval required for Related party Transactions and major acquisitions/ disposals.

Take-over and merger transactions regulated under the Capital Market Authority Act.

Self-Regulation

Integrity and ethical values of Board and top Management

Requires commitment for transparent, credible and timely reporting from the Board of Directors and management.

Shareholder Rights

	AREAS OF CONCERN	ENGAGEMENT CHANNELS
1. Right to seek Information	• Right to know about the price sensitive information of the company. • Right to inspect the register of members. • Right to receive notice of General meetings • Right to be kept fully informed of what is happening in the Company.	• AGM (Attendance) • Electronic Communications (emails/ newsletters and website) • Annual report. • Roadshows. • Media releases. • Site Visits • One on one meetings
2. Right 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.

Corporate Governance *continued*

Leadership & Culture

Year 2019 marked the implementation of AHIDI strategy. All stakeholders were communicated to on the AHIDI strategy and roles and responsibilities were clearly aligned. The company also undertook rigorous trainings to ensure the required capabilities to actualize the strategy. Policies and procedures were also reviewed to align with AHIDI strategy.

The company also ensured that its Subsidiaries understood the strategy and the role they play to ensure synergy for the strategy to be a success. For this to happen the Subsidiaries aligned their strategy to AHIDI.

To ensure delivery of AHIDI strategy the company has put in place a strategy tracking and monitoring framework which factors in review of effectiveness, major deviations and key risks. This has helped in early detection of any deviations and timely corrective actioning.

TC PLC staff members have been engaged in contributing towards AHIDI strategy through involvement in sourcing for business and business opportunities in different committees that are tasked in researching on opportunities out there. The two committees in which staff are involved in are Finance Sub-Committee and Operations Sub-committee.

These committees research on emerging business opportunities that can benefit both TC PLC and its Subsidiaries. These opportunities should be in-line with companies' vision and strategy. This has been greatly been beneficial in solidifying EPIC (Entrepreneurial, Pioneering, Innovative and Collaborative) values hence promotion of the desired TC Way.

Staff are kept appraised on the progress and key developments through the planned quarterly meetings, newsletters, and day to day discussions with their line managers. Across the group different functions hold meetings to align the company's policies and guidelines. This helps in creating synergies and standardization of the way work is done.

Structure and function of the Board

It is the responsibility of the Board of Directors to direct and oversee the running of the affairs of the company on behalf of the shareholders. The Board therefore is accountable to the shareholders in the Company's performance, fostering long-term business and meeting the interests of its shareholders and key stakeholders.

The Board is therefore committed to the highest standards of corporate governance, business integrity and professionalism in all its activities.

The Separation of the role of Board Chairman and Group CEO

The roles of the Chairman and Group CEO are separated and established with clear division of responsibilities and delegated authority. The Board Chairman provides leadership to the Board in ensuring the director's focus in providing oversight and clear vision to the Group, enhancing shareholders value, ensuring stakeholders engagement, ensuring the effective operations of the Board, establishing the Board agenda for Board meetings and making certain that the Board has all the necessary information for effective decision making. The Board Chairman is also charged with the responsibility of ensuring that the Board is well established in line with the pre-requisite skills, knowledge and experience required and Board Committees are properly established. Acting as a spokesman, the Board Chairman communicates and consults with shareholders and relevant stakeholders on significant issues, as appropriate. It is also the role of the Board Chairman to ensure the effectiveness and development of the Board and individual directors aimed at increasing their awareness of the Company and industry trends, including the applicable legislative framework, to enable them to discharge their duties effectively.

Corporate Governance *continued*

The Separation of the role of Board Chairman and Group CEO *(continued)*

The GCEO on the other hand is be responsible for the day-to-day management of the business, in line with the company's strategy and long-term objectives approved by the Board. He provides strategic advice and guidance to the Board and appraises them of any changes relevant to the industry /sector which the company operates. He is charged with the responsibility of preparing and monitoring business plans, directing and controlling the work and resources of the company, ensuring recruitment and retention of the required numbers and types of well-motivated, trained and developed staff to ensure the Group meets its vision, mission and objectives.

The role of the Company Secretary

The Company Secretary directs, controls, and provides effective and efficient advice to the Board and Management to protect the Company's interests. The Secretary is also charged with the responsibility of coordinating all Board and Board Committee meetings, ensuring that they are properly organized and conducted and implemented in compliance with the Company's Memorandum and Articles of Association and its statutory obligations

Board Committees

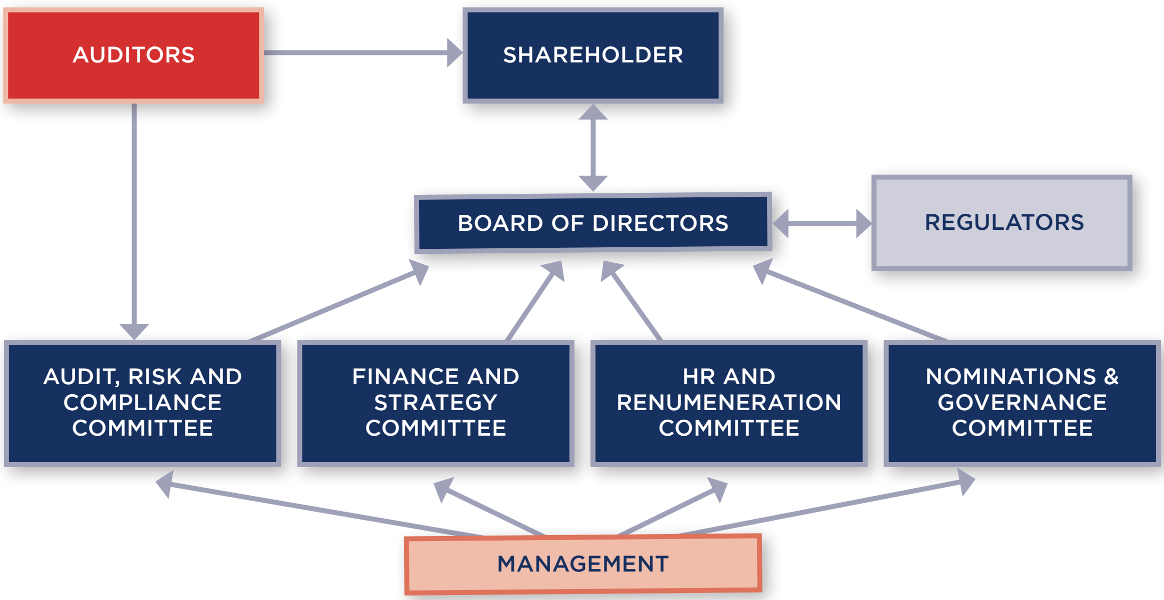
To help in discharge of its responsibility, the Board shall ensure the appointment of Board Committees to ensure delivery of its mandate. The Board Committees in TC PLC are:-

(a) Finance and Strategy
(b) Nomination and Governance
(c) HR and Remuneration
(d) Audit, Risk and Compliance.

The Board is responsible for ensuring that the committees are appropriately constituted with members who have the necessary skills and expertise to handle the responsibilities allocated to them. The Board reviews the mandate of the committees periodically to ensure relevance.

The Board Committees are constituted and governed by written Charters / Terms of Reference and carries annual assessment on its effectiveness and performance against the set mandate.

Governance Structure.



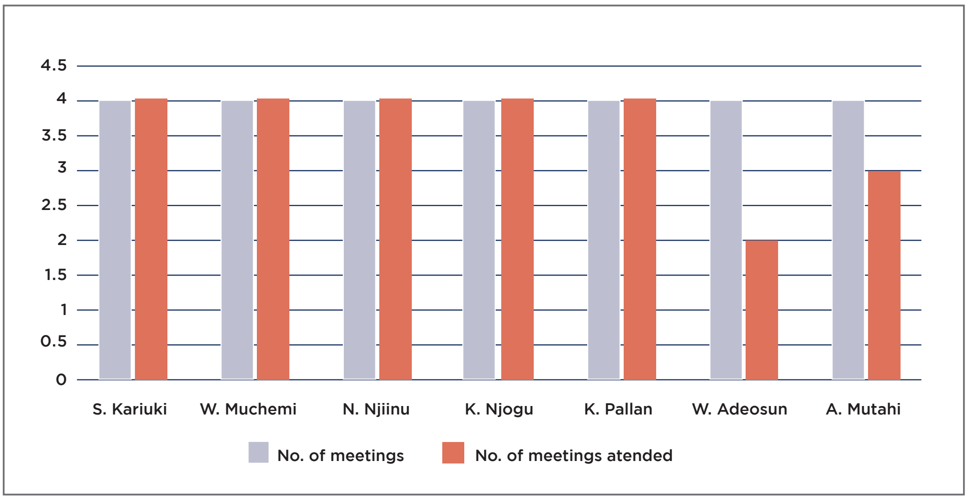
Corporate Governance *continued*

Board Meetings

TC PLC Group board meets at least once every quarter and any other time when business demands 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 2019, the Board held 4 meetings as set out in the table below:-

2019 Board Attendance Schedule



TransCentury PLC Board member Anne Mutahi interacting with shreholders at the 2018 AGM

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 committee are charged with looking at key issues in details 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 2019.

Board Committee	Nomination & Governance	Human Resources & Remuneration	Finance & Strategy	Audit, Risk and Compliance
Members	Chairman: Shaka Karikui Members: Wanjuki Muchemi, Nganga Njiinu	Chairman: Wanjuki Muchemi Members: Shaka Kariuki, Nganga Njiinu	Chairman: Wale Adeuson Members: Shaka Kariuki, Anne Mutahi, Nganga Njiinu	Chairman: Karithi Njogu Members: Kamal Pallan, Nganga Njiinu
Key Role	Responsible for Corporate Governance, director's appointment, and evaluation of the Board's effectiveness	Responsible for establishment, maintenance, compensation, and administration of Human Resources management.	Review of financial objectives, policies, capital structure and financing requirement and to oversee the development and implementation of long-term strategy	Ensuring the company's financial statements comply with applicable financial reporting standards, provide oversight for assessing and monitoring all risks and ensure compliance with legal, statutory, corporate polices and standards.
2019 Activities	• Compliance with Corporate Governance Guidelines and policies • Directors recruitment, selection and development • Board Evaluation • Closure of Legal, compliance and Governance Audit findings	• Compliance HR Policies and processes • Roll out and implementation of the Group Organization structure • Review of the performance for the senior management	• Monitoring of the Ahidi Strategy • Review of the 2019 financial plans and budget • Review of the investment polices	• Review of the financial statements • Review of the Risk management framework • Review of the Internal Audit Plan and Audits undertaken within the year
2020 Focus	• Review of Corporate Governance documents • Director's evaluation and development	• Review of compensation and benefits programs • Review of Staff establishment and development	• Fundraising • Review of the investment policy and plans	• Review of Business Continuity Plan • Review of Risk Framework • Review of Internal

Corporate Governance *continued*

Board Committee Meetings

	Nomination & Governance	HR & Remuneration	Audit, Risk & Compliance	Finance & Strategy
No. of meetings	3	3	10	5
S. Kariuki	3	3	N/A	5
W. Muchemi	3	3	N/A	N/A
N.Njiinu	3	3	10	5
K. Njogu	N/A	N/A	10	N/A
K. Palan	N/A	N/A	10	N/A
W. Adeuson	N/A	N/A	N/A	5
A. Mutahi	N/A	N/A	N/A	3

Nomination, Appointment & Succession

The Nomination & Governance Committee is responsible for appointment and succession of directors across the group. 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 representing the majority shareholder are nominated by the shareholder 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.

In the year ended 31st December, 2019, the Nomination & Governance Committee ensured that all subsidiaries had the right number of directors as guided by the Corporate Governance Manual, through robust director recruitment process.

Board Tenure

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

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 years in any one 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 directors; Mr. Wale Adeosun and Mr. Kamal Pallan were re-elected during the AGM.

Corporate Governance *continued*

Board Skills and Qualifications

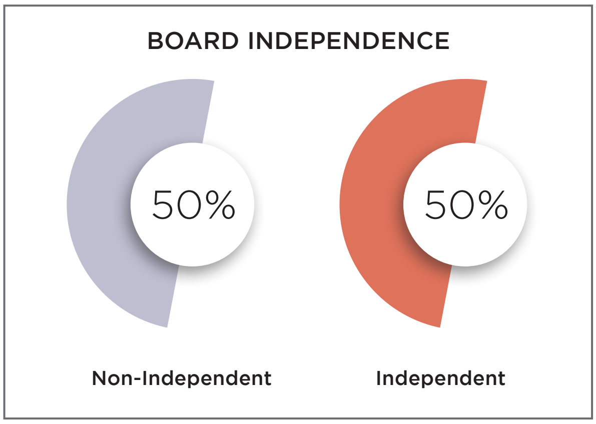
In line with the company's core business and its strategy, each director skills are critical, and the Board ensures that collectively all requisite skills and experience is available for the board to discharge its roles and responsibilities objectively and effectively. The nomination and governance committee 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.

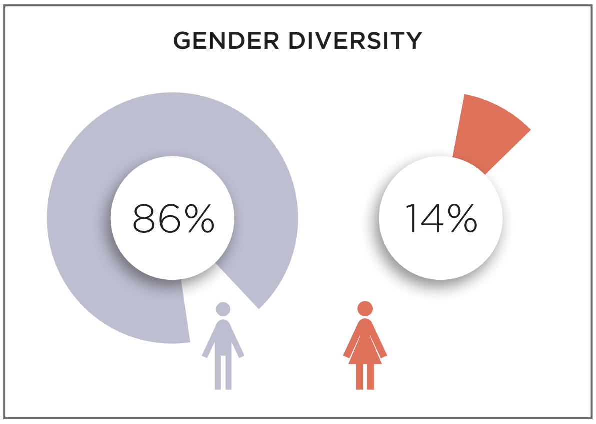
Key Skills	S.Kariuki	K.Palan	A.Adeoson	A.Mutahi	K.Njogu	W.Muchemi	N.Njiinu
Corporate Governance	✓	✓	✓	✓	✓	✓	✓
Business Management	✓	✓	✓	✓	✓	✓	✓
Financial Skills	✓	✓	✓	✓	✓	×	✓
Public Affairs	✓	✓	✓	✓	✓	✓	✓
Strategy	✓	✓	✓	✓	✓	✓	✓
Risk Management	✓	✓	✓	✓	✓	✓	✓
Information Technology	✓	×	×	×	✓	×	✓
Commercial Skills	✓	✓	✓	✓	×	×	✓
Legal	×	×	×	×	×	✓	×
Audit	✓	✓	✓	×	✓	×	✓
Investment	✓	✓	✓	✓	✓	×	✓
Human Resources	✓	✓	✓	×	✓	✓	✓

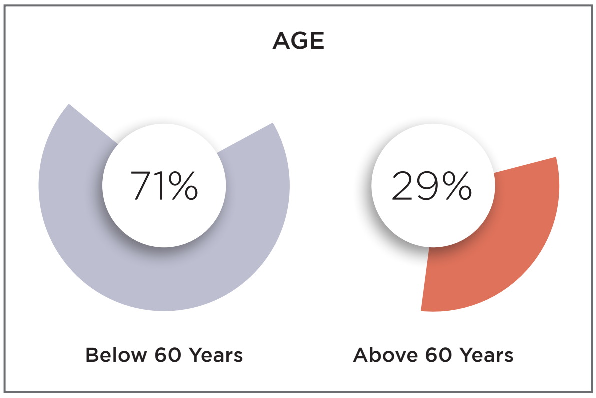
Corporate Governance *continued*

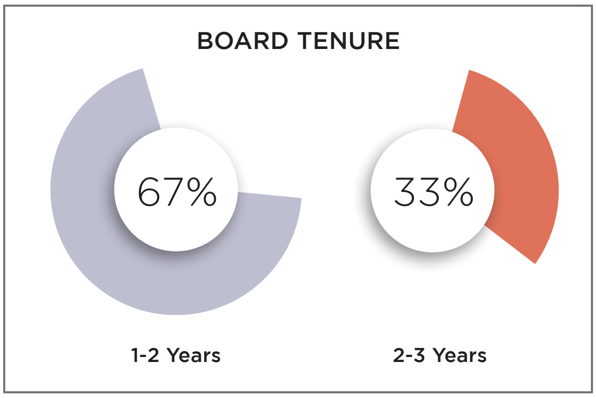
Board Diversity

At TC PLC 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's performance evaluation for year ended 2018 was conducted in 2019. This process was coordinated internally by the Nomination and Governance Committee. It was based on questionnaires looking at Board's effectiveness in delivery of the Company's Vision, Mission and Strategy, Governance and Board Operations. The questionnaire also reviewed the individual Director's contributions to the effectiveness of the Board, application of knowledge and skills and ethical standards.

The evaluation for the Board, Board Chairman, Company Secretary, GCEO, Board Committees and the Board Committees Chairmen were carried out.

Director Development

Directors are taken through a comprehensive induction which comprises of meetings with Board Chairman and other Directors, GCEO and other Senior Managers. During the year 2019, the Directors underwent a training on various aspects of governance including strategy review and monitoring, board effectiveness, reporting and disclosures, among others.

Corporate Governance *continued*

Whistle blowing policy

TC PLC is committed to the highest possible standards of open, probity and accountability. To this end, the company has put into place a policy to facilitate reporting of perceived unethical or illegal conduct of employees, management, directors and other stakeholders across the company 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. The policy was observed in the year ending December 2019.

Code of ethics and conduct

TC PLC 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 and it is aimed at promoting a culture of fairness, honesty and integrity in their dealings with all stakeholders hence ensuring sustainable success of TC PLC. All new employees are oriented on this framework and are always required to commit to abide by its provisions.

Access to independent Advice

The Company's Corporate Governance Guidelines provides for the Board, including the committees to seek independent professional advice from any legal, accounting and other advisors, experts and consultants in order to fulfil its responsibilities in relation to the company's affairs within its delegated authority.

Governance Audit

The Company conducted a Governance Audit for year ended 31st December 2018 and the Board was found to have put in place a sound governance framework that is in compliance with the legal and regulatory framework and in line with global best governance practices, obtaining an unqualified opinion. In the year ended 31st December, 2019, the Company has implemented the audit findings.

FY2019 Shareholder's Summary

Top Ten Shareholders

Name of Shareholder	Shareholder Position	No of Shares Held	% Shareholding
Kuramo Africa Opportunity Kenyan Vehicle Ltd	1	93,776,173	24.99%
Standard Chartered Nominees AC KE 15615	2	31,065,194	8.28%
Michael Gitau Waweru	3	21,216,380	5.65%
Anne Pearl Karimi Gachui	4	21,140,990	5.63%
Standard Chartered Nom A/C KE 11993	5	17,353,617	4.63%
Peter Tiras Kanyago	6	15,641,387	4.17%
Ephraim Kariithi Njogu	7	12,520,370	3.34%
Gitau Zephaniah Mbugua	8	11,984,752	3.19%
Gath Properties Limited	9	10,933,000	2.91%
Robin Munyua Kimotho	10	10,851,510	2.89%
Sub - Total	**10**	**246,483,373**	**65.69%**
Others	**2,047**	**128,719,393**	**34.31%**
Total Issued Shares	**2,057**	**375,202,766**	**100%**

Distribution of Shareholding

Shares range	No. of Shareholders	No. of Shares held	% Shareholding
1 – 500	923	178,977	0.05%
501 - 5,000	709	1,514,670	0.40%
5,001 - 10,000	132	1,070,287	0.29%
10,001 - 100,000	212	6,629,401	1.77%
100,001 - 1,000,000	53	15,682,947	4.18%
Above 1,000,000	28	350,126,484	93.32%
TOTAL	**2,057**	**375,202,766**	**100.00%**

Shareholder Analysis by Domicile

Domicile	No. of shares held	No of Shareholders	% Shareholding
Local individuals	1,894	197,260,827	52.57%
Local institutions	133	27,947,435	7.45%
East African individuals	5	34,200	0.01%
Foreign individuals	17	390,400	0.10%
Foreign institutions	8	149,569,904	39.86%
TOTAL	**2,057**	**375,202,766**	**100%**

Directors and Statutory Information

DIRECTORS

Shaka Kariuki	Chairman
Nganga Njiinu	GCEO
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
Kaplan & Stratton Advocates
9th Floor, Williamson House
4th Ngong Avenue
PO Box 40111
00100 Nairobi GPO

AUDITOR

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

Iseme Kamau & Maema Advocates
IKM Place, Tower A, 5th Floor
5th Ngong Avenue, Bishops Road
P.O. Box 11866
00400, Nairobi

Nyachoti & Co Advocates
4th Floor, Museum Hill Centre
Muthithi Road
PO Box 39252
00623, Nairobi

Mboya Wangong'u & Waiyaki Advocates
Lex Chambers
Maji Mazuri Road
off James Gichuru Road
Lavington, Nairobi, Kenya
P.O Box 74041
00200, Nairobi

PRINCIPAL BANKERS

Citibank N.A Kenya
Citibank House
P.O. Box 30711
00100 Nairobi

Equity Bank (Kenya) Limited
Lavington Supreme
P.O. Box 75104
00200 Nairobi

SBM Bank (Kenya) Limited
Riverside Mews, Riverside Drive
P.O. Box 66015
00800 Nairobi

Sidian Bank Limited
K-Rep Centre,
Wood Avenue, Kilimani
P.O. Box 25363
00603 Nairobi

TIB Corporate Bank Ltd
P.O. Box 9011
Dar es Salaam

Ecobank Kenya Limited
Ecobank Towers, 13th Floor
Muindi Mbingu Street
P.O Box 49584
00100 Nairobi

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2019

INFORMATION NOT SUBJECT TO AUDIT

Information not subject to audit comprise the Company's Policy on director's remuneration, Contract of service of directors, Statement of voting at general meeting on directors' remuneration and Any substantial changes to director's remuneration during the year

Executive Directors' remuneration policy

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 years pay.

   During the year 2019, there was no adjustment to the remuneration of the Executive Directors. As per the Group and Company policy on employee compensation, 2019 pay will be dependent on the annual performance appraisals conducted in quarter one of the year.

Substantial changes to directors' remuneration

There were no substantial changes relating to the directors' remuneration made during the year (2018 – None).

Contract of service

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 years in any one 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. During the AGM held on 27 August 2019, two directors; Mr. Wale Adeosun and Mr. Kamal Pallan were re-elected during the AGM.

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of voting at general meeting on directors' remuneration

In the last AGM held on 27 August 2019, the shareholders unanimously passed a resolution to approve the directors' remuneration report and the directors remuneration policy.

Non-Executive Director Remuneration Policy

The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business. The amount of fees reflects the attached responsibility and time commitment. Additional fees are paid for further responsibilities such as chairing committees and sitting on appointed board committees. The value of benefits provided is reasonable in the market context and takes into account the individual circumstances and benefits provided in comparable roles for companies within the Industry.

INFORMATION SUBJECT TO AUDIT (AUDITABLE PART)

Information subject to audit (auditable part) comprise the amounts of each directors' emoluments and compensation in the relevant years. The following amounts were paid to Directors in the year under review

(i) Non-Executive Directors' remuneration for the year ended 31 December 2019

Name	Retainer	Sitting allowance	Total	Paid	Payable
Company	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Shaka Kariuki	3,000	1,280	4,280	-	4,280
Wale Adeosun	1,800	640	2,440	-	2,440
Kamal Pallan	1,800	1,200	3,000	-	3,000
Kariithi Njogu	1,800	1,200	3,000	1,500	1,500
Ann Mutahi	1,800	640	2,440	1,658	782
Wanjuki Muchemi	1,800	880	2,680	1,500	1,180
Total	**12,000**	**5,840**	**17,840**	**4,658**	**13,182**

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

Name	Retainer	Sitting allowance	Total	Paid	Payable
Company	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Shaka Kariuki	2,571	1,586	4,157	-	4,157
Wale Adeosun	1,486	857	2,343	-	2,343
Kamal Pallan	1,486	949	2,435	-	2,435
Kariithi Njogu	1,486	1,029	2,515	250	2,265
Ann Mutahi	1,486	297	1,783	-	1,783
Wanjuki Muchemi	1,486	891	2,377	-	2,377
Total	**10,001**	**5,609**	**15,610**	**250**	**15,360**

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2019

(ii) Executive Directors' remuneration for the year ended 31 December 2019

Name	Basic Pay	Pension	Total	Paid	Payable
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Nganga Njiinu	33,000	2,475	35,475	35,475	-

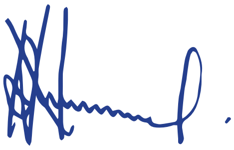
Executive Directors' remuneration for the year ended 31 December 2018

Name	Basic Pay	Pension	Total	Paid	Payable
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Nganga Njiinu	33,000	2,475	35,475	35,475	-

Approval of the Directors' remuneration report

The Directors confirm that this report has been prepared in accordance with the Kenyan Companies Act, 2015, Capital Markets Authority (CMA) Code and listing rules and reflects the disclosure requirements under the International Financial Reporting Standards (IFRSs) with respect related parties (see Note 29 to the consolidated and separate financial statements).

By order of the Board



Virginia Ndunge
Secretary
Date: 14th May 2021

Financial Statements & Notes

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of TransCentury PLC (Group and Company), which comprise the consolidated and company statements of financial position at 31 December 2019, 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 consolidated and separate financial statements which include a summary of significant accounting policies and other explanatory information and the information identified as subject to audit in the Directors' Remuneration Report.

The directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the consolidated and separate financial statements in the circumstances, preparation and fair presentation of the consolidated and separate 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 consolidated and separate 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 of the Group and the Company.

The directors accept responsibility for the annual consolidated and separate 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 consolidated and separate 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 the consolidated and separate financial statements, as well as adequate systems of internal financial control.

As disclosed at Note 2(f), the directors are aware 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 put in place initiatives and measures disclosed at Note 2(f) which they believe will ensure that Group and Company will continue operating as a going concern for at least the next twelve months from the date of approval of these consolidated and separate financial statements.

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 14 May 2021

Shaka Kariuki
Director

Nganga Njiinu
Director

Date: 14 May 2021

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors submit their report together with the audited consolidated and separate financial statements for the year ended 31 December 2019, 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 (financial performance) for the year are set out on pages 74, and 75 respectively.

3. Dividends

The directors do not recommend the payment of a dividend (2018 – 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 34-37.

5. Business review

The Group's and Company's business review is set out on pages 19 to 20

6. Relevant audit information

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

(i) There is no relevant audit information of which the Group's and company's auditor is unaware; and

(ii) Each director has taken all the 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's and company's auditor is aware of this information.

7. Employees

The Group maintained a good relationship with its employees during the year. The average number of staff employed by the Group is as shown below:

	Group		Company	
	2019	2018	2019	2018
Management	81	73	7	7
Other staff	1,046	966	11	11

8. Auditor

The auditor of the Company, KPMG Kenya, has indicated its willingness to continue in office in accordance with section 721(2) of the Kenyan Companies Act, 2015.

Report of the Directors *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

9. Going concern

The Group and Company incurred a loss of KShs 3,936 million and KShs 2,271 million respectively during the year ended 31 December 2019 (2018 – Group KShs 3,503 million, Company KShs 180 million), and as of that date, the Group's and Company's current liabilities exceeded its current assets by KShs 10,899 million and KShs 3,459 million respectively (2018 - Group KShs 11,160 million and KShs 386 million). In addition, the Group's and Company's total liabilities exceeded their total assets by KShs 7,135 million and Kshs 110 million respectively (2018 – Group KShs 3,305 million, Company - Net ssets of Kshs 6,111 million).

As disclosed at Note 2(f), the Directors are aware 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 the Group and/or Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

10. Directors interests

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

	2019	2018
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 2019 and 2018.*

11. Business review

The Group's and Company's business review has been disclosed in pages 19 and 20.

12. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the directors on 14 May 2021.

By order of the Board

Virginia Ndunge
Secretary
Date: 14th May 2021

Independent Auditor's Report to the Members of TransCentury PLC

FOR THE YEAR ENDED 31 DECEMBER 2019

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) as set out on pages 74 to 162 which comprise the consolidated and company statements of financial position as at 31 December 2019, 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 consolidated and separate 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 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by 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 *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code),* together with the ethical requirements that are relevant to our audit of the consolidated and separate 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 2019, the Group and Company incurred a loss of KShs 3,936 million and KShs 2,271 million respectively during the year ended 31 December 2019 and as of that date, the Group's and Company's current liabilities exceeded its current assets by KShs 10,899 million and KShs 3,459 million respectively and the Group's and Company's total liabilities exceeded their total assets by KShs 7,135 million and KShs 110 million respectively. In addition, as at 31 December 2019, the Group and Company had outstanding loans of KShs 3,430 million and KShs 2,632 million respectively for which they had breached the loan covenants with the lenders. As stated in Note 2(f), these events or conditions, along with other matters such as the successful complete the rights issue and planned disposals of assets 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.

Independent Auditor's Report to the Members of TransCentury PLC *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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.

Valuation of unquoted investments in the consolidated and separate financial statements

See accounting policy Note 2(e) and Note 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 using valuation techniques which involve the use of significant assumptions and judgments. The judgements and assumptions made include the use of earnings multiple (price to book net assets multiple) to estimate fair values of investments. The method involves using the historical return on equity for listed companies in similar sector, the relationship between such returns and the traded market prices to book net assets ratio and applying the comparable average price to book net assets multiple determined on the unquoted investment. Valuation of unquoted investments is a key audit matter due to the significant judgement involved in using the comparable book to net assets multiple in the valuation model.	Our procedures in this area included: • Involving our in-house valuation specialists in assessing the appropriateness of the comparable average price to book net assets applied in valuation of unquoted investments, which included comparing the average price to book net asset to the sector averages for listed entities in the relevant market in which the investments are held.; • Evaluating the inputs used by the Group and Company in determining fair values by agreeing the inputs to supporting source documents, including agreeing the net assets data of the investee and comparable companies to their respective latest audited financial statements; • Evaluating the mathematical accuracy of the computations, including the determination of the comparable average price to net assets multiple used to determine fair value; and • Evaluating the adequacy of the disclosures made in the financial statements, including disclosures of key assumptions and judgements by reference to IFRS 13 Fair Value Measurement.

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 company's trade and other receivables amounted to KShs 2,384 million and 580 million respectively as at 31 December 2019.	Our procedures in this area included: • Evaluating the group's and company's methodology (provisioning matrix) for measuring ECL against the requirements of IFRS 9 Financial Instruments to determine the appropriateness of the ECL.

Independent Auditor's Report to the Members of TransCentury PLC *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Key audit matters (continued)

Impairment of trade and other receivables in the consolidated and separate financial statements – continued

See accounting policy Note 4(h)(i) and Note 18 to the consolidated and separate financial statements – continued

Key audit matter	How the matter was addressed
Significant judgement is involved in assessing the recoverability of trade and other receivables and in estimating the expected credit losses (ECL) 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 the application of forward-looking information to determine the ECL. We determined this area to be a key audit matter in our audit due to the significant judgments involved in determining ECL.	• Evaluating the mathematical accuracy of the provisioning matrix by agreeing the invoice dates in the aging reports used to develop the matrix to the physical invoice dates, re-aging of the historical debtor invoices using the invoice dates and comparing to that used in the provisioning matrix and recalculating the historical loss rates using the debtor aging buckets; • Challenging management's assessment and inclusion of forward-looking information by evaluating the correlation between the forward-looking information and the historical loss rates; • Evaluating the adequacy of the disclosures made in the financial statements, including disclosures of key assumptions and judgements by reference to IFRS 7 Financial Instruments: Disclosures.

Valuation of investment in subsidiaries in the separate financial statements

See accounting policy Note 2(e), 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 of KShs 4,121 million as at 31 December 2019 is accounted for at fair value. The fair value of investments in subsidiaries of KShs 3,043 million was determined by the Company using the discounted cash flow method (DCF method) and KShs 1,086 million was determined using the net assets value method. The discounted cash flow method involves the exercise of significant judgment and use of assumptions regarding future performance and cash flows which are subject to significant estimation uncertainties. We determined investment in subsidiaries measured using the DCF method and net asset value method to be a key audit matter because of the significance of the amount and the related estimation uncertainty, particularly on the use of significant judgment, relating to the cash flow projections, growth rates, terminal values and discount rates used in the valuation model.	Our procedures in this area included: • Involving our in-house valuation specialists in evaluating the valuation techniques and assumptions 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; • Challenging the key assumption regarding projected growth rate and future cash flows against historical trends, post-balance sheet performance, industry trends and availability of working capital; • Evaluating the appropriateness of the discount rate used to present value the future cash flows by comparing the discount rate used to the average cost of capital for similar industries; and • Evaluating the appropriateness of the disclosures made in the financial statements, including key assumptions and judgements by reference to IFRS 13 Fair Value Measurement.

Independent Auditor's Report to the Members of TransCentury PLC *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *TransCentury PLC Annual Report and Financial Statements as at 31st December 2019* 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 except to the extent otherwise explicitly stated in our report, 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.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRSs 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 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.

Independent Auditor's Report to the Members of TransCentury PLC *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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)

- 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.
- 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.

Independent Auditor's Report to the Members of TransCentury PLC *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

Report on other legal and regulatory requirements

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

(i) The information given in the report of the directors on pages 66 - 67 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the Directors' Remuneration Report has been prepared in accordance with the requirements of the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Eric Aholi - Practicing Certificate No. 1471.

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

Date: 14 May 2021

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Revenue	6(a)	5,703,904	4,247,258
Cost of sales	6(c)	(3,876,140)	(3,364,961)
Gross profit		**1,827,764**	**882,297**
Other income	6(b)	1,505,523	435,424
Operating expenses	6(c)	(1,808,155)	(2,217,154)
Loss before depreciation, impairment, contract liability expense and finance costs		**1,525,132**	**(899,433)**
Impairment losses	6(e)	(3,178,623)	(599,938)
Depreciation and amortisation	7	(468,482)	(601,897)
Operating loss	**7**	**(2,121,973)**	**(2,101,268)**
Exchange losses	8(a)	(106,210)	(358,095)
Interest expenses	8(b)	(957,260)	(1,198,772)
Net finance costs		**(1,063,470)**	**(1,556,867)**
Loss before income tax		**(3,185,443)**	**(3,658,135)**
Income tax (expense)/credit	9(a)	(750,086)	155,512
Loss for the year		**(3,935,529)**	**(3,502,623)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial instruments at FVOCI – net change in fair value	15(d)	52,689	(27,426)
Re-measurement gain on retirement benefit plan		3,482	1,903
Deferred tax effect		(1,045)	(571)
Revaluation of property, plant and equipment and prepaid operating lease rental	10 & 13	-	571,169
Related tax	9(a)	-	(166,435)
		55,126	**378,640**
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries		50,255	156,290
		50,255	**156,290**
Total other comprehensive income net of income tax		**105,381**	**534,930**
Total comprehensive income for the year		**(3,830,148)**	**(2,967,693)**
Loss after tax is attributable to:			
Equity holders of the company		(3,979,470)	(2,982,676)
Non-controlling interest (NCI)	15(e)	43,941	(519,947)
Loss for the year		**(3,935,529)**	**(3,502,623)**
Total comprehensive income for the year is attributable to:			
Equity holders of the company		(3,897,282)	(2,579,821)
Non-controlling interest		67,134	(387,872)
Total comprehensive income for the year		**(3,830,148)**	**(2,967,693)**
BASIC AND DILUTED EARNINGS PER SHARE (KShs)	**23(a)**	**(10.61)**	**(7.95)**

The notes set out on pages 84 to 162 form an integral part of these financial statements.

Company Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Income			
Revenue	6(a)	180,267	177,790
Other income	6(b)	-	181,852
		180,267	**359,642**
Operating expenses	6(c)	(310,492)	(280,151)
(Loss)/profit before depreciation, impairment and finance costs		**(130,225)**	**79,491**
Impairment losses	6(e)	(1,909,335)	(114,693)
Depreciation and amortisation	7	(690)	(1,362)
Operating loss	**7**	**(2,040,250)**	**(36,564)**
Foreign exchange gain/(loss)	8(a)	5,909	(73,780)
Finance cost	8(b)	(237,157)	(80,912)
Net finance cost		**(231,248)**	**(154,692)**
Loss before income tax		**(2,271,498)**	**(191,256)**
Income tax credit	9(a)	337	11,255
Loss for the year		**(2,271,161)**	**(180,001)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial instruments at FVOCI – net change in Fair value	15(d)	(3,949,191)	(2,691,451)
Other comprehensive income		**(3,949,191)**	**(2,691,451)**
Total comprehensive income for the year		**(6,220,352)**	**(2,871,452)**

The notes set out on pages 84 to 162 form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

ASSETS	Note	2019 KShs'000	2018 KShs'000
Non-current assets			
Property, plant and equipment	10	4,416,670	6,198,145
Investment property	11	220,291	400,245
Right-of-use assets	13(a)	3,598,935	-
Prepaid operating lease rentals	13(b)	-	2,468,946
Intangible assets	14	69,593	2,839,961
Quoted investments	15(a)	240	199
Unquoted investments	15(b)	365,534	313,342
Deferred tax asset	25(a)	134,711	666,640
		8,805,974	12,887,478
Current assets			
Inventories	17	1,004,457	1,026,307
Trade and other receivables	18	2,339,293	2,050,620
Tax recoverable	9(d)	438,224	419,169
Assets held for sale	12	122,529	28,628
Cash and bank balances	19(a)	296,007	255,979
		4,200,510	3,780,703
TOTAL ASSETS		**13,006,484**	**16,668,181**
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)	(13,405,520)	(8,695,074)
Translation reserve	22(b)	1,208,295	448,953
Fair value reserve	22(c)	145,940	93,251
Revaluation reserve	22(d)	2,412,764	2,411,631
Total equity attributable to equity holders of the company		**(7,577,831)**	**(3,680,549)**
Non-controlling interest	15(e)	443,097	375,963
Total equity		**(7,134,734)**	**(3,304,586)**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	25(b)	614,057	546,433
Lease Liability	13 (c)	10,978	-
Liability for staff gratuity	26	42,607	45,023
Preference shares	24(b)	1,015,458	909,056
Bond – non-current portion	24(a)	-	672,184
Long term loan – non-current portion	27	3,360,083	2,859,585
		5,043,183	5,032,281

(Continued on Page 77)

Consolidated Statement of Financial Position *continued*

AS AT 31 DECEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Current liabilities			
Bank overdraft	19(a)	70,518	87,549
Tax payable	9(d)	140,502	11,858
Trade and other payables	28	7,973,657	7,276,258
Lease Liability – current portion	13(c)	8,333	-
Unclaimed dividends		952	952
Long term loan – current portion	27	4,055,852	5,668,156
Bond – current portion	24(a)	1,623,338	1,196,692
Shareholder loan	24(c)	1,224,883	699,021
		15,098,035	14,940,486
Total liabilities		**20,141,218**	**19,972,767**
TOTAL EQUITY AND LIABILITIES		**13,006,484**	**16,668,181**

The financial statements on pages 74 to 162 were approved and authorised for issue by the Board of Directors on 14 May 2021 and were signed on its behalf by:

Shaka Kariuki
Director

Nganga Njiinu
Director

The notes set out on pages 84 to 162 form an integral part of these financial statements.

Company Statement of Financial Position *continued*

AS AT 31 DECEMBER 2019

ASSETS	Note	2019 KShs'000	2018 KShs'000
Non-current assets			
Property and equipment	10	452	917
Right-of-use-asset	13(a)	672	-
Quoted investments	15(a)	240	199
Unquoted investments	15(b)	360,803	286,814
Investment in subsidiaries	15(c)	3,043,246	7,066,468
Loans to subsidiaries	16	517,924	480,436
Deferred tax asset	25(a)	2,601	2,264
		3,925,938	7,837,098
Current assets			
Trade and other receivables	18	579,699	2,094,669
Tax recoverable	9(d)	12,108	9,612
Cash and bank balances	19(a)	1,940	32
		593,747	2,104,313
TOTAL ASSETS		**4,519,685**	**9,941,411**
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)	(3,813,553)	(1,542,392)
Fair value reserve	22(c)	1,643,222	5,592,413
Total equity		**(109,641)**	**6,110,711**
Non-current liabilities			
Long term intercompany loans	27	576,073	576,073
Bank loans	27	-	763,846
Lease liability	13(c)	403	-
		576,476	**1,339,919**
Current liabilities			
Trade and other payables	28	837,210	744,012
Lease liability	13(c)	298	-
Unclaimed dividends		952	952
Long term loan – current portion	27	2,632,184	1,662,161
Shareholder loan	24(c)	582,206	83,656
		4,052,850	**2,490,781**
Total liabilities		**4,629,326**	**3,830,700**
TOTAL EQUITY AND LIABILITIES		**4,519,685**	**9,941,411**

The financial statements on pages 74 to 162 were approved and authorised for issue by the Board of Directors on 14 May 2021 and were signed on its behalf by:

Shaka Kariuki
Director

Nganga Njiinu
Director

The notes set out on page 84 to 162 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

2019:	Share capital KShs'000	Share premium KShs'000	Revaluation reserves KShs'000	Translation reserve KShs'000	Fair value reserve KShs'000	Revenue reserves KShs'000	Total KShs'000	Non-controlling interest KShs'000	Total equity KShs'000
Balance at 1 January 2019	187,601	1,873,089	2,411,631	448,953	93,251	(8,695,074)	(3,680,549)	375,963	(3,304,586)
Total comprehensive income for the year net of tax									
Loss for the year	-	-	-	-	-	(3,979,470)	(3,979,470)	43,941	(3,935,529)
Other comprehensive income									
Remeasurement of defined benefit plan	-	-	-	-	-	2,381	2,381	1,101	3,482
Deferred tax on remeasurement	-	-	-	-	-	(715)	(715)	(330)	(1,045)
Exchange differences	-	-	-	27,833	-	-	27,833	22,422	50,255
Net change in fair value of Equity instruments at FVOCI	-	-	-	-	52,689	-	52,689	-	52,689
Transfer to translation reserves*	-	-	-	732,642	-	(732,642)	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**760,475**	**52,689**	**(730,976)**	**82,188**	**23,193**	**105,381**
Total comprehensive income	**-**	**-**	**-**	**760,475**	**52,689**	**(4,710,446)**	**(3,897,282)**	**67,134**	**(3,830,148)**
Transactions with owners of the Company									
Transfer from revaluation*	-	-	1,133	(1,133)	-	-	-	-	-
Total transactions with owners of the company	**-**	**-**	**1,133**	**(1,133)**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2019	**187,601**	**1,873,089**	**2,412,764**	**1,208,295**	**145,940**	**(13,405,520)**	**(7,577,831)**	**443,097**	**(7,134,734)**

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

The notes set out on pages 84 to 162 form an integral part of the financial statements.

IMPACTING AFRICA'S INFRASTRUCTURE

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	Faire value 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	(5,288,808)	(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 to 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)**

The notes set out on pages 84 to 162 form an integral part of the financial statements.

Company Statement of Changes in Equity

AS AT 31 DECEMBER 2019

2019:	Share capital KShs '000	Share premium KShs '000	Fair value reserve KShs '000	Revenue reserves KShs '000	Total KShs'000
Balance at 1 January 2019	187,601	1,873,089	5,592,413	(1,542,392)	6,110,711
Loss for the year	-	-	-	(2,271,161)	(2,271,161)
Other comprehensive income for the year					
Net change in equity instruments at FVOCI	-	-	(3,949,191)	-	(3,949,191)
Total comprehensive income	**-**	**-**	**(3,949,191)**	**-**	**(3,949,191)**
Balance as at 31 December 2019	**187,601**	**1,873,089**	**1,643,222**	**(3,813,553)**	**(109,641)**

Company Statement of Changes in Equity

AS AT 31 DECEMBER 2018

2018:	Share capital KShs '000	Share premium KShs '000	Fair value 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 84 to 162 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Net cash flows from operating activities			
Loss before taxation		(3,185,443)	(3,658,135)
Adjustment for non-cash items	19(b)	2,571,461	1,910,374
Operating loss before working capital changes		**(613,982)**	**(1,747,761)**
Working capital changes:			
Trade and other receivables		(570,336)	726,690
Inventories		18,527	126,814
Trade and other payables		718,577	505,288
Provision for staff gratuity	26	2,916	7,314
Cash used in operations		**(444,298)**	**(381,655)**
Income tax paid	9(d)	(12,277)	(42,737)
Gratuity paid	26	(2,895)	(2,086)
Lease interest paid	13(c)	(1,084)	-
Net cash flows used in operating activities		**(460,554)**	**(426,477)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(63,874)	(94,085)
Purchase of intangible assets	14(a)	-	(2,042)
Proceeds from disposal of current assets held for sale		44,300	-
Proceeds from disposal of property, plant and equipment		45,846	97,803
Net cash flows from investing activities		**26,272**	**1,676**
Cash flows from financing activities			
Proceeds from loans and borrowing	27	2,520,656	1,371,617
Repayment of loans and borrowing	27	(2,131,834)	(772,537)
Shareholder loan proceeds	24(c)	504,963	283,614
Shareholder loan payments	24(c)	(20,565)	-
Lease liability payments	13(c)	(1,867)	-
Partial settlement of convertible bond	24(a)	(380,012)	(253,226)
Net cash flows from financing activities		**491,341**	**629,468**
Net increase in cash and cash equivalents		**57,059**	**204,666**
IFRS 9 day 1 adjustment in cash and bank balances		-	(794)
Cash and cash equivalents at 1 January	19(a)	168,430	(35,442)
Cash and cash equivalents at 31 December	**19(a)**	**225,489**	**168,430**

The notes set out on pages 84 to 162 form an integral part of these financial statements.

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs'000	2018 KShs'000
Net cash flows from operating activities			
Loss before taxation		(2,271,498)	(191,256)
Adjustment for non-cash items	19(b)	198,346	41,209
Operating loss before working capital changes		**(2,073,152)**	**(150,047)**
Working capital changes:			
Trade and other receivables		1,514,970	(87,986)
Trade and other payables		93,198	100,183
Cash used in operations		**(464,984)**	**(137,850)**
Lease interest paid	13(c)	(51)	-
Income tax paid	9(d)	(2,496)	(12,044)
Net cash flows used in operating activities		**(467,531)**	**(149,894)**
Cash flows from investing activities			
Purchase of property and equipment	10	-	(760)
Loans to related parties		(37,488)	(85,519)
Net cash flows used in investing activities		**(37,488)**	**(86,279)**
Cash flows from financing activities -			
Share holder loans advanced	24(c)	498,550	83,656
Bank loans received	27	206,177	190,490
Interest received		39,553	41,065
Lease principle paid	13(c)	(196)	-
Interest paid	8(b)	(237,157)	(80,912)
Net cash flows generated from financing activities		**506,927**	**234,299**
Net increase/(decrease) in cash and cash equivalents		**1,908**	**(1,874)**
Cash and cash equivalents at 1 January	19(a)	32	1,906
Cash and cash equivalents at 31 December	**19(a)**	**1,940**	**32**

The notes set out on pages 84 to 162 form an integral part of these financial statements.

Notes to the Consolidated and Separate Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 comprise the company and its subsidiaries (together referred to as the "Group"). The separate financial statements are the unconsolidated company financial statements. 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. The consolidated and separate financial statements are hereinafter referred to as "the financial statements".

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. Details of the Group's and Company's accounting policies are included in Note 4.

This is the first set of the Group's and Company's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described 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;
- Items of property, plant and equipment are measured at revalued amounts; and
- Investments in subsidiaries in 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION (Continued)

(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.

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) Lease classification and determination of lease term

As lessees the Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The Group and Company have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases and instead recognise as an expense on a straight-line basis over the lease term. Further details on leases are captured under note 4(f). Management have also assessed the probability of renewing the lease contracts on expiry (for leases with renewal clause) and determined the appropriate incremental borrowing rate.

(iii) Employee benefits

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

(iv) Taxation

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

(v) 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 (Notes 5a, 6e, 10, 14, 15c, 18).

2. BASIS OF PREPARATION (Continued)

(d) Use of judgments and estimates (continued)

(vi) Recognition and measurement of contingencies

Key assumptions are made about the likelihood and magnitude of an outflow of resources (Note 33).

(e) Measurement of fair values

A number of the Group's and Company'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 (GCEO). 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 unquoted equity instruments and subsidiaries where no active market exists, the Group and Company uses:

Investment in subsidiaries

- 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 and is based on the present values of future cash flows anticipated to be generated by the subsidiaries.
- Fair Value of Net Assets Method: The fair value of the net assets in the balance sheet were obtained and used to compute the fair value.
- Adjusted market values – this is based on market price or most recent price quotations for the subsidiary adjusted for assets or liabilities if any, excluded in the quote or price.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION (Continued)

(e) Measurement of fair values (continued)

Valuation of unquoted investments and subsidiaries – continued

Unquoted investments

- Price to book multiple: The approach involves assessing the historical return on equity for listed entities in the same sector, assessing the relationship between such returns and the traded market price to book net assets ratio and then assessing the appropriate price to book net assets multiple to be applied to the subject company/investment.

Valuation of quoted investments

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

Valuation of investment property

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

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 3,936 million and KShs 2,271 million respectively during the year ended 31 December 2019 and as of that date, the Group's and Company's current liabilities exceeded its current assets by KShs 10,899 million and KShs 3,459 million respectively. In addition, the Group's and Company's total liabilities exceeded their total assets by KShs 7,134 million and KShs 110 million respectively.

As disclosed in Note 27 to the consolidated and separate financial statements, the group and company had breached their loan covenants with lenders and the carrying amount of loans breached at 31 December 2019 was KShs 3,430 million and KShs 2,632 million respectively. As a result of the breach, one of the lenders issued a demand letter to the Company on 14 October 2019 with respect to amounts of KShs 1.4 billion (USD 13,589,309) that were overdue as at 8 October 2019.

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2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

As disclosed in Note 34, Covid-19 affects the Group and Company and results in certain uncertainties for the future financial position and performance of the Group and Company. The Covid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report, the Group's and Company's operations had resumed to normal. The potential future effects are subject to significant levels of uncertainty.

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

Initiatives implemented subsequent to 31 December 2019 to mitigate liquidity risks as disclosed at Note 34:

- The Group through its subsidiaries signed facility agreements with its lenders to restructure debt facilities amounting to KShs 816 million which were current as at 31 December 2019 to a term of between 6 and 7 years.
- A shareholder of the Company, Kuramo Africa Opportunity Kenyan Vehicle Limited agreed to subordinate all shareholder loans and signed amended terms for shareholder loans amounting to KShs 1,200 million to extend the maturity of the loans to 31 December 2022.
- The bond which was due on demand with a carrying amount of KShs 1,623 million was restructured and repayment spread over three years to 15 July 2022.
- The Group through its subsidiaries obtained combined working capital facilities of KShs 1,904 million to support working capital requirements and expects increased production and activity in the subsidiaries.
- The Group renegotiated amounts due to its two major creditors totalling KShs 3,270 million to a settlement of KShs 756 million resulting into a debt relief of KShs 2.5 billion.

Initiatives planned to raise funds to meet liquidity requirements going forward

(i) Equity raising initiatives

The Group has now embarked on a fundraising initiative to raise up to KShs 4.4 billion (USD 40 million) by way of Rights Issue process. In November 2020, the Group appointed a legal team and transaction advisor to drive the process. The equity fundraising process is subject to shareholders and regulatory approvals and is expected to be completed by Q3-2021. Kuramo Capital Management LLC, on behalf of its advised funds, has indicated through a letter of intent, their willingness to support the fundraising process by subscribing to its pro-rata 25% rights up to an amount of KShs 1.1 billion (USD 10 million) subject to the shareholders' approval and required regulatory approvals.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION (Continued)

(f) Going concern (continued)

***Initiatives planned to raise funds to meet liquidity requirements going forward* (continued)**

(ii) Debt restructuring

The Group has renegotiated and received an offer letter on 4 September 2020 from its lender for a 10-year loan facility of KShs 1,065 million. The funds would be used to pay off the existing short-term loan in it's subsidiary due to the same lender. The new facility has a moratorium of 12 months on principals and interest. Management are in the process of negotiating an extension of the moratorium from 12 months to 24 months.

(iii) Assignment of projects

The Group through its subsidiary, Civicon Limited has banking facilities held at Equity Bank comprising performance bonds and advance payment guarantees issued for construction projects. During the year, the group reduced these facilities from KShs 2.5 billion to KShs 1.3 billion as of 30 October 2020 following recoveries from commissions due to Civicon on the assigned projects. The Group has assigned running projects and expects that remaining facilities/exposure of KShs 1 billion will be reduced through recoveries from commissions on the assigned projects.

(iv) Disposal of non- operating assets

The Group is in the process of disposing some of its non-operating assets to generate operating cash flows. The table below summarises the assets and the status of each.

# Asset	Expected proceeds (KShs 'm')	Timing	Status
1. Property in South Africa	221	March 2021	Sale offer received for Kshs 221 m
2. Property in Nairobi, Kenya	110	January 2021	Sale offer received for Kshs 110 m
3. Property in Mombasa, Kenya	112	December 2021	No sale offer received
4. Property in Kampala, Uganda	400	December 2021	No sale offer received
Total	**843**		

The directors having considered the initiatives above and information at hand, have concluded that the going concern assumption is appropriate in the preparation of these consolidated and separate financial statements. However if the Group and company are unable to successfully complete the rights issue and planned disposal of assets above within the next twelve months a material uncertainty exist which may cast significant doubt about the group and the company's ability to continue as a going concern and, therefore that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group and Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Group and Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group and Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company and Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group and Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group and Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

As a lessee, the Group and Company leases land and buildings. The Group and Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group and Company. Under IFRS 16, the Group and Company recognise right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company and Group allocate the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group and Company have elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(i) Leases classified as operating leases under IAS 17

Previously, the Company and Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's and Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) As a lessee (continued)

(i) Leases classified as operating leases under IAS 17 – continued

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's and Group's incremental borrowing rate at the date of initial application: The Company and Group applied this approach to their largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: The Company and Group applied this approach to all other leases.

The Company and Group have tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company and Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company and Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(ii) Leases classified as finance leases under IAS 17

The Company and Group lease land and buildings. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(c) As a lessor

The Company and Group do not lease out any of their investment property. The Company and Group sub-lease some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property and measured at fair value at that date. The Company and Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The Company and Group have also entered a sub-lease during 2019, which has been classified as a finance lease.

The Company and Group have applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(d) Impact on financial statements

(i) Impact on transition

On transition to IFRS 16, the Company and Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Group

	1 January 2019	
	Group	**Company**
	KShs '000	**KShs '000**
Lease liabilities	23,304	897
Right of use asset (ROU asset):		
Lease liabilities above	23,304	897
Net transfer from operating lease (Note 13)	2,461,912	-
Net transfer from property and equipment (Note 10)	1,207,807	-
Total ROU asset	**3,690,741**	**897**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied are subsidiaries' borrowing rate for respective jurisdictions.

	1 January 2019	
	Group	**Company**
	KShs '000	**KShs '000**
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the financial statements	58,385	23,304
Discounted using the incremental borrowing rate at 1 January 2019	23,304	897
Lease liabilities recognised at 1 January 2019	23,304	897

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 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Revenue recognition (continued)

The Group and Company 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.

(b) Basis of consolidation

(i) Business combinations

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

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

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

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(i) Business combinations – continued

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

(ii) Subsidiaries

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

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

Subsidiary	Country of incorporation	2019 %	2018 %
Cable Holdings 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 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(iii) Non-controlling interests

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

(iv) Transactions eliminated on consolidation

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

(v) Loss of control

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

(c)Translation of foreign currencies

(i) Foreign currency transactions

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

(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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Translation of foreign currencies (continued)

(ii) Foreign operations – continued

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.

(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 (land and buildings) less accumulated depreciation and impairment losses.

The revaluation is performed by a professional valuation expert after every three years, and the resulting surplus is recognised in other comprehensive income (OCI) and accumulated in equity under 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 are 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(f) Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company and Group use the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company and Group allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company and Group have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group and Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (continued)

(i) As a lessee – continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group and Company use its incremental borrowing rate as the discount rate.

The Group and Company determine their incremental borrowing rate by obtaining interest rates from various external financing sources and make certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group and Company are reasonably certain to exercise, lease payments in an optional renewal period if the Group and Company are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and Company are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's and Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and Company change their assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and Company present right-of-use assets that do not meet the definition of investment property and lease liabilities as separate lines in the statement of financial position.

Short-term leases and leases of low-value assets

The Group and Company have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group and Company allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group and Company act as a lessor, they determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and Company make an overall assessment of whether the lease transfer substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group and Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group and Company are intermediate lessors, they account for their interests in the head lease and the sub-lease separately. They assess the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and Company apply the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group and Company apply IFRS 15 to allocate the consideration in the contract.

The Group and Company apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group and Company further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group and Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group and Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group and Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met: the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (continued)

(ii) As a lessor – continued

Policy applicable before 1 January 2019 – continued

In the comparative period, as a lessee the Group and Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's and Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

When the Group and Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group and Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group and Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(g) Impairment

(i) Non-derivative financial assets

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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment (continued)

(i) Non-derivative financial assets – continued

Financial instruments and contract assets – continued

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 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 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 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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). Under the ECL model, the Group and Company calculates the allowance for credit losses for trade and other receivables using a provisioning matrix by determination of the historical loss rates through the debtor aging buckets and adjusting the loss rates with the impact if any, of forward-looking information to obtain adjusted historical loss rates that is applied to outstanding receivables at the reporting date to determine ECL.

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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment (continued)

(i) Non-derivative financial assets – continued

Measurement of ECLs – continued

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 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;
- it 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.

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

(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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment (continued)

(ii) Non-financial assets – continued

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.

(h) 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.

(i) 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. These are provided to eligible employees based on each employee's length of service with the Group, as provided for in the collective bargaining agreement. The Group also provides for long service award to staff based on length of service.

The cost of providing service gratuity which is considered as defined benefit plan is determined by a professional actuary using the projected unit credit method at the end of each reporting period.

Re-measurements, comprising of actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings though other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee benefits (continued)

(ii) Staff gratuity – continued

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit in profit or loss as:

- Service costs comprising of current service costs recognised in profit or loss under cost of sales.
- Net interest expense or income recognised in profit or loss under cost of sales.

(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.

(j) 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Dividends

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

(p) Financial instruments

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

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

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

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

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;
- 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

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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest – continued

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.

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 liabilities – Classification, subsequent measurement and gains and losses

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

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.

Financial assets and financial liabilities relating to intercompany balances are offset and the net amount presented in the statement if financial position when the Group has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or realise the asset and settle the liability simultaneously.

(q) 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.

(r) 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 straightline basis over the expected useful lives.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Intangible assets (continued)

(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.

(s) 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.

(t) Comparatives

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

(u) 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 2019 and have not been applied in preparing these financial statements. The Company and Group does not plan to adopt these standards early. These are not expected to have a significant impact on the financial statements of the Company and Group. These are summarised below:

Standard	Effective date
• 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
• Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
• COVID-19-Related Rent Concessions (Amendments to IFRS 16)	1 January 2021
• Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
• Annual Improvements to IFRS Standards 2018-2020	1 January 2022
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
• Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
• IFRS 17 Insurance Contracts	1 January 2022
• Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
• Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	To be determined

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Loans to subsidiaries	(Note 16)	-	-	517,924	480,436
Trade receivables	(Note 18)	1,841,794	1,450,781	-	-
Staff debtors	(Note 18)	9,052	7,655	303	-
Due from related parties	(Note 18)	-	-	527,132	1,979,969
Bank balances	(Note 19)	294,886	253,718	1,685	32
		2,145,732	**1,712,154**	**1,047,044**	**2,460,437**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

Impairment losses

Trade receivables & Intercompany receivables

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

	Trade receivables		Intercompany receivables	
	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Not past due	889,148	639,349	566,878	200,561
Past due 0 – 90 days	728,390	450,661	135,222	126,406
Past due 91 – 365 days	344,655	298,134	176,068	49,662
More than one year	1,903,639	2,033,111	2,555,906	2,600,947
	3,865,832	3,421,255	3,434,074	2,977,576
Net impairment	(2,024,038)	(1,970,474)	(2,906,942)	(997,607)
	1,841,794	**1,450,781**	**527,132**	**1,979,969**

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.

Loss rates are based on actual credit loss experience over the past 24 months, current conditions plus the Group's view of economic conditions such as inflation, commercial bank interest rates and growth in the economy's gross domestic product.

The Company considered whether the borrowers would repay the loan amounts if demanded at the reporting date as well as the expected manner of recovery to measure the expected credit loss. Where the recovery strategies indicate that the Company would fully recover the outstanding balance of the loan, the expected credit loss is limited to the effect of discounting if the amount is not interest free. An impairment loss amounting to 1,909,335,000 was recorded in the year.

Cash and cash equivalents

The Group and company held cash and bank balances of KShs 296,007,000 and KShs 1,940,000 respectively (2018 – Group – KShs 255,979,000 and Company KShs 32,000). The cash and bank balances are held with banks and financial institution counterparties, which are rated between A1 to Ba1, based on GCR, S&P and Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

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

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Balance at 1 January	1,970,474	1,515,222	997,607	882,914
Impairment losses				
- trade and other receivables	241,947	261,149	-	14,773
- due from related parties	-	-	1,909,335	95,636
- intercompany loans	-	-	-	4,284
Sub-Total	**241,947**	**261,149**	**1,909,335**	**114,693**
Day 1 IFRS 9	-	319,671	-	-
Bad debt write back	(188,383)	(125,568)	-	-
Balance at 31 December	**2,024,038**	**1,970,474**	**2,906,942**	**997,607**

(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:

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

Consolidated

:2019	Due on demand KShs'000	1 - 3 months KShs'000	3 - 12 months KShs'000	1 - 5 years KShs'000	Total KShs'000
Liabilities:					
Long term loans	-	3,470,367	585,485	3,360,083	7,415,935
Interest payable on loans	490,311	31,699	164,644	926,889	1,613,543
Preference shares	-	-	-	1,015,458	1,015,458
Bond	-	-	1,623,338	-	1,623,338
Bank overdraft	70,518	-	-	-	70,518
Shareholder loan	-	-	1,224,883	-	1,224,883
Trade and other payables	7,973,657	-	-	-	7,973,657
Lease liabilities	-	1,103	3,308	31,468	35,879
Unclaimed dividends	952	-	-	-	952
Total financial liabilities	**8,535,438**	**3,503,169**	**3,601,658**	**5,333,898**	**20,974,163**

:2018	Due on demand KShs'000	1 - 3 months KShs'000	3 - 12 months KShs'000	1 - 5 years KShs'000	Total KShs'000
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	-	-	-	-
Unclaimed dividends	-	-	-	-	952
Total financial liabilities	**7,735,693**	**5,489,900**	**2,372,740**	**5,494,003**	**21,092,336**

Company

2019	Due on demand KShs'000	1 - 3 months KShs'000	3 - 12 months KShs'000	1 - 5 years KShs'000	Total KShs'000
Liabilities:					
Long term loans	-	2,632,184	-	576,073	3,208,257
Shareholder loan	-	-	582,206	-	582,206
Interest payable on loans	429,269	25,181	76,523	94,428	625,401
Trade and other payables	837,210	-	-	-	837,210
Lease liability	-	82	248	468	798
Unclaimed dividends	952	-	-	-	952
Total financial liabilities	**1,267,431**	**2,657,447**	**658,977**	**670,969**	**5,254,824**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (continued)

Company

:2018	Due on demand KShs'000	1 - 3 months KShs'000	3 - 12 months KShs'000	1 - 5 years KShs'000	Total KShs'000
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**

(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 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Loans to subsidiaries	-	-	517,924	480,436
Cash and bank balances	294,886	7,314	1,940	32
Unquoted investments	397,198	313,342	422,029	286,814
Due from related parties	-	-	2,333,583	1,802,834
Due to related parties	-	-	(460,383)	(425,762)
Preference shares	(1,015,458)	(909,056)	-	-
Bond	(1,623,338)	(1,868,876)	-	-
Bank overdraft	(70,518)	(87,549)	-	-
Bank loans	(7,415,935)	(8,527,741)	(2,632,185)	(2,426,007)
Net statement of financial position exposure	**(9,433,165)**	**(11,072,566)**	**182,908**	**(281,653)**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(i) Currency risk – continued

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2019	2018	2019	2018
	KShs	KShs	KShs	KShs
USD	101.34	101.85	102.01	101.29
TShs	22.68	22.58	22.63	22.48
UShs	36.17	36.46	36.32	36.81
ZAR	7.19	7.08	7.06	7.69

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 2018:

	Profit or loss	
	Consolidated	Company
	KShs'000	KShs'000
At 31 December 2019	**943,317**	**18,290**
At 31 December 2018	**1,107,257**	**28,165**

(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:

Consolidated	**Effectiveinterest rate (%)**		**2019**	**2018**
	2019	**2018**	**KShs'000**	**KShs'000**
Bank loans	10.65%	10.51%	7,415,935	8,527,741
Bond	8.00%	8.00%	1,623,338	1,868,876
Bank overdraft	9.21%	10.14%	70,518	87,549
Shareholder loan	7.0%	7.0 %	1,224,883	699,021
			10,334,674	**11,183,187**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Interest rate risk – continued

Company	Effective interest rate (%)		2019	2018
	2019	2018	KShs'000	KShs'000
Bank loans	10.0%	10.0	2,632,184	3,002,080
Shareholder loan	7.0%	7.0 %	582,206	83,656
			3,214,390	**3,085,736**

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 2019 KShs	Consolidated 2018 KShs	Company 2019 KShs	Company 2018 KShs
Bank loans	741,594	852,774	263,218	300,208
Others	291,873	265,545	58,221	8,366
	1,033,467	**1,118,319**	**321,439**	**308,574**

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 16,800 (2018 – KShs 13,930) net of tax. There would be no impact to profit or loss as fair value changes are recognized in other comprehensive income.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Capital management

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

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

There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) Fair values for financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

(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 (2018,0.63x)	• 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Valuation hierarchy (continued)

The fair value for the financial assets as at 31 December 2019 and 31 December 2018 is as follows (these have been disclosed at Note 15):

Consolidated	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
31 December 2019:				
Quoted investments	240	-	-	240
Unquoted investments	-	-	365,534	365,534
Total assets	**240**	**-**	**365,534**	**365,774**
31 December 2018:				
Quoted investments	199	-	-	199
Unquoted investments	-	-	313,342	313,342
Total assets	**199**	**-**	**313,342**	**313,541**

Company	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
31 December 2019:				
Quoted investments	240	-	-	240
Unquoted investments	-	-	360,803	360,803
Investment in subsidiaries	-	-	3,043,246	3,043,246
Total assets	**240**	**-**	**3,404,049**	**3,404,289**
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**	**7,353,282**	**7,353,481**

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

6. REVENUE, OTHER INCOME AND EXPENSES

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
(a) Revenue				
Sale of goods	3,853,957	3,192,582	-	-
Rendering of services	780,986	308,452	-	-
Construction contract revenue	1,068,961	746,224	-	-
Dividends	-	-	27,862	12,724
Interest income (Note 29(c))	-	-	39,553	41,065
Technical fees (Note 29(d))	-	-	112,852	124,001
	5,703,904	**4,247,258**	**180,267**	**177,790**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

6. REVENUE, OTHER INCOME AND EXPENSES (Continued)

(a) Revenue (continued)

Revenue is measured based on the consideration specified in a contract with a customer. The Group and Company recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of goods Goods sold include: • Electric cables • Transformers • Conductors • Generators • Spare parts	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 60 days.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.
Construction contracts Construction projects include: • Manufacturing plants • Warehouses • Prefabricated buildings	The Group builds manufacturing plants, storage units and warehouses based on the prescribed designs. Most projects commence on receipt of a prepayment from a customer and its length depends on the complexity of the design. Projects may be completed in a year or may span through several years.	Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.
Rendering of services Services rendered include: • Civil engineering • Mechanical engineering • Transportation	Invoices for repair and maintenance services are issued periodically and are usually payable within 30 days.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

(a) Revenue (continued)

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The amount of contracts assets is KShs 147,675,000 (2018 Nil).

Contract liabilities primarily relate to the advance consideration received from customers for construction work, for which revenue is recognised over time. The amount of deferred revenue is KShs 592,271,000 (2018: KShs 1,037,541,000). This will be recognised as revenue when the construction milestones are met, which is expected to occur over the next one to three years.

No information is provided about remaining performance obligations at 31 December 2019 or at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

(b) Other income/loss	**Consolidated 2019 KShs '000**	**Consolidated 2018 KShs '000**	**Company 2019 KShs '000**	**Company 2018 KShs '000**
(Loss)/gain on sale of property	(21,581)	8,023	-	244
Gain on sale of AFS	20,029	-	-	
-Divestiture income	-	127,308	-	127,308
Reversal of bad debt provision	-	125,568	-	-
Fair value of investment property	(71,941)	54,100	-	-
Sale of scrap	6,340	3,571	-	-
Rental income	9,977	11,309	-	-
Reversal of accruals	-	54,300	-	54,300
Sundry income	62,071	51,245	-	-
Loan forgiven (Note 27)	1,500,628	-	-	-
	1,505,523	**435,424**	**-**	**181,852**

(c) Expenses by nature				
Cost of sales:				
Raw materials	2,593,796	2,429,079	-	-
Direct staff costs	576,522	586,087	-	-
Licences, insurance and permits	156,596	65,680	-	-
Equipment hire	12,259	32,152	-	-
Subcontracting	44,581	108,859	-	-
Service costs	18,280	67,093	-	-
Freight	-	20,450	-	-
Machinery repairs and maintenance	22,381	13,928	-	-
Utility expenses	-	11,498	-	-
Project set up costs	-	3,398	-	-
Manufacturing and packaging	-	8,288	-	-
Interest on trade loans	-	18,449	-	-
Others	451,725	-	-	-
	3,876,140	**3,364,961**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

(c) Expenses by nature (continued)

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Operating expenses:				
Staff costs	700,738	726,171	181,051	179,416
Legal and professional fees	398,250	242,532	30,848	9,998
Office expenses	466,907	522,566	61,698	52,954
Establishment and site expenses	10,038	202,868	-	-
Directors fees (Note 29(a))	71,798	61,018	17,840	15,610
Travel expense	28,964	42,862	7,249	7,575
Utility fees	57,662	122,095	-	-
Distribution expenses	19,643	35,545	-	-
Audit fees	31,230	39,415	6,414	5,859
Repairs and maintenance	14,306	182,536	96	-
Facility & arrangement fee	5,296	33,490	5,296	8,739
Stock obsolescence	3,323	6,056	-	-
	1,808,155	**2,217,154**	**310,492**	**280,151**

(d) Staff costs

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Wages and salaries	1,245,740	1,230,469	170,844	169,033
Social security contributions	2,624	25,878	52	53
Contribution to defined contribution	28,481	27,963	10,155	10,330
Other staff costs	415	17,952	-	-
Termination benefits	-	9,996	-	-
	1,277,260	1,312,258	181,051	179,416
Presented in profit or loss as follows:				
Cost of sales	576,522	586,087	-	-
Operating expenses	700,738	726,171	181,051	179,416
	1,277,260	**1,312,258**	**181,051**	**179,416**

(e) Impairment losses

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Prepayments	39,716	-	-	-
Financial instruments (Note 5(a))	241,947	261,149	1,909,335	114,693
Inventory (Note (6(c))	3,323	6,056	-	-
Property plant and equipment (Note 10)	123,453	328,112	-	-
Intangible assets (Note 14)	2,770,184	4,621	-	-
	3,178,623	**599,938**	**1,909,335**	**114,693**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

7. OPERATING LOSS

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Operating loss is arrived at after charging/(crediting):				
Depreciation (Note 10)	375,983	556,454	465	1,362
Amortisation of prepaid operating lease Rentals (Note 13)	-	36,098	225	-
Amortisation of ROU	88,100	-	-	-
Amortisation of intangible assets (Note 14)	4,399	9,345	-	-
	468,482	**601,897**	**690**	**1,362**
Directors' emoluments (Note 29(a))	107,453	96,493	53,315	51,085
Auditors remuneration	31,230	39,415	6,414	5,859
(Loss)/(gain) on disposal of property, plant and equipment	(21,581)	8,023	-	244
Loan forgiven	(1,500,628)	-	-	-
Impairment losses:				
- Trade and other receivables	241,947	261,149	-	14,820
- Inventory	3,323	6,056	-	-
- Due from related parties	-	-	1,909,335	95,636
- Intercompany loan	-	-	-	4,284

8. NET FINANCE COSTS

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
(a) Exchange losses				
Gain/(loss) on exchange	(106,210)	(358,095)	5,909	(73,780)
(b) Finance costs				
Interest on convertible bond	(143,825)	(130,925)	-	-
Interest on leases	(1,084)	-	(51)	-
Interest on loans	(812,351)	(1,067,847)	(237,106)	(80,912)
	(957,260)	(1,198,772)	(237,157)	(80,912)
Net finance costs (a+b)	**(1,063,470)**	**(1,556,867)**	**(231,248)**	**(154,692)**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

9. INCOME TAX

(a) Income tax (credit)/expense

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Amounts recognised in profit or loss				
Current tax:				
Charge for the year at 30%	178,386	6,402	-	-
Prior over provision	-	(11,152)	-	(11,152)
	178,386	(4,750)	-	(11,152)
Deferred tax (credit)/ expense:				
Current year (Note 25(c))	552,000	(132,936)	(337)	(103)
Prior year under/(over) provision (Note 25(c))	19,701	(17,826)	-	-
	571,701	(150,762)	(337)	(103)
	750,086	**(155,512)**	**(337)**	**(11,255)**
Amounts recognised in other comprehensive income				
Arising from:				
Defined benefits	1,045	571	-	-
Revaluation of property, plant and equipment:	-	166,435	-	-
	1,045	**167,006**	**-**	**-**

(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:

	2019 Rate	2019 KShs'000	2018 Rate	2018 KShs '000
Accounting loss before tax		(3,073,176)		(3,658,135)
Tax at the domestic rate of 30%	30%	(921,953)	30%	(1,097,441)
Prior years' under provision:				
- Current tax	-	-	-	(11,152)
- Deferred tax	(1%)	19,701	-	(17,826)
Effect of taxes in foreign jurisdictions*	(1%)	22,575	-	(14,338)
Movement in deferred tax not Recognised (Note 9(c))	(22%)	713,344	(6%)	232,943
Tax effect of non-deductible expenses	(18%)	581,537	(18%)	(658,595)
Effect of change in tax rates**	(3%)	94,377	(3%)	93,707
Income tax expense	**18%**	**750,086**	**4%**	**(155,512)**

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

** *Civicon Limited Mauritius and Truckoil Limited operates in South Sudan. The applicable tax rate in South Sudan was 25% (2018 – 25%).*

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

9. INCOME TAX (Continued)

(b) Reconciliation of effective tax rate (continued)

Consolidated

Company

	2019 Rate	2019 KShs'000	2018 Rate	2018 KShs'000
Accounting loss before tax		**(2,271,498)**		**(191,256)**
Tax at the domestic rate of 30%	30%	(681,449)	30%	(57,377)
Prior years' under provision:				
- Current tax		-	6%	(11,152)
Movement in deferred tax not recognised (Note 9(c))	(15%)	345,373	(47%)	89,599
Tax effect of non-deductible expenses	(15%)	335,739	17%	(32,325)
Income tax expense	**-**	**337**	**(6%)**	**11,255**

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

(c) Movement in unrecognised deferred tax

Consolidated

2019:

	At 1 January KShs'000	Prior year under/over provision of unrecognised deferred Tax KShs'000	Movement in unrecognized deferred tax KShs'000	At 31 December KShs'000
Arising from:				
Property plant and equipment	736	-	(31,252)	(30,516)
Unrealised exchange loss	(35,329)	1	80,898	45,569
Provisions	456,534	8	330,668	787,210
Tax losses	847,670	(1)	333,022	1,180,692
	1,269,611	**8**	**713,336**	**1,982,955**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

9. INCOME TAX (Continued)

(c) Movement in unrecognised deferred tax (continued)

Consolidated

2018:

	At 1 January KShs'000	Prior year under/over provision of unrecognised deferred Tax KShs'000	Movement in unrecognized 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**

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.

Tax losses in Kenya expire within 10 years (Uganda, Mauritius and Sudan expire within 5 years). Under the current tax regulations, the expiry dates of tax losses carried forward at 31 December 2019 was as follows:

Amount (KShs'000)	Year of expiry
330,314	2019
21,737	2020
145,741	2021
593,566	2022
125,342	2023
221,827	2024
573,475	2025
284,565	2026
503,823	2027
2,800,390	

Company

2019:

	At 1 January KShs'000	Prior year under/over provision of unrecognised deferred Tax KShs'000	Movement in unrecognized deferred tax KShs'000	At 31 December KShs'000
Arising from:				
Tax losses	276,258	(1)	71,487	347,744
Provision	309,304	8	279,971	589,283
Unrealised exchange loss	(35,330)	1	(6,093)	(41,422)
	550,232	**8**	**345,365**	**895,605**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

9. INCOME TAX (Continued)

(c) Movement in unrecognised deferred tax (continued)

Company

2018:

	At 1 January KShs'000	Prior year under/over provision of unrecognised deferred Tax KShs'000	Movement in unrecognized 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**

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 2019 was as follows:

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

(d) Tax recoverable/payable account

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Balance as at 1 January	407,311	357,147	9,612	(13,584)
Current tax charge	(178,386)	(6,402)		-
Prior year over/(under) provision	-	11,152	-	11,152
Paid during the year	12,277	42,737	2,496	12,044
Foreign exchange translation differences	56,520	2,677	-	-
Balance as at 31 December	297,722	407,311	12,108	9,612
Comprising:				
Current tax recoverable	438,224	419,169	12,108	9,612
Current tax payable	(140,502)	(11,858)	-	-
Balance as at 31 December	**297,722**	**407,311**	**12,108**	**9,612**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

9. PROPERTY, PLANT AND EQUIPMENT

Consolidated 2019:	Heavy commercial vehicles KShs'000	Free hold land and buildings KShs'000	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 2019	2,382,933	566,773	3,428,992	3,382,020	473,712	303,678	271,352	10,809,460
Additions	-	-	7,936	22,952	25,182	4,302	3,502	63,874
Transfers to right-of-use-assets	-	(100,000)	(1,242,226)	-	-	-	-	(1,342,226)
Transfer to asset held for sale	-	(17,667)	-	-	-	-	-	(17,667)
Write offs	-	-	-	(62)	(5,510)	-	(34,925)	(40,497)
Disposals	(66,687)	-	-	(71,735)	(26,411)	(3,118)	-	(167,951)
Exchange differences	(9,591)	(11,885)	-	(6,751)	(2,862)	(1,889)	3,266	(29,712)
At 31 December 2019	**2,306,655**	**437,221**	**2,194,702**	**3,326,424**	**464,111**	**302,973**	**243,195**	**9,275,281**
Cost	2,306,655	145,141	(451,645)	607,536	94,798	70,650	156,113	2,929,248
Valuation	-	292,080	2,646,347	2,718,888	369,313	232,323	87,082	6,346,035
	2,306,655	**437,221**	**2,194,702**	**3,326,424**	**464,111**	**302,973**	**243,195**	**9,275,281**
Depreciation:								
At 1 January 2019	2,198,094	118,058	307,207	1,511,061	497,851	(25,681)	4,725	4,611,315
Charge for the year	41,435	34,242	33,718	212,561	41,376	12,651	-	375,983
Impairment	-	-	-	123,453	-	-	-	123,453
Transfer to right-of-use-assets	-	-	(134,420)	-	-	-	-	(134,420)
Transfer to assets held for sale	-	(2,138)	-	-	-	-	-	(2,138)
Disposals	(62,650)	-	-	(10,554)	(23,974)	(3,346)	-	(100,524)
Exchange differences	(8,549)	3,607	(2,783)	(3,245)	(1,974)	(1,823)	(291)	(15,058)
At 31 December 2019	**2,168,330**	**153,769**	**203,722**	**1,833,276**	**513,279**	**(18,199)**	**4,434**	**4,858,611**
Carrying value:								
At 31 December 2019	**138,325**	**283,452**	**1,990,980**	**1,493,148**	**(49,168)**	**321,172**	**238,761**	**4,416,670**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

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**	**448,715**	**3,121,785**	**1,870,959**	**(24,139)**	**329,359**	**266,627**	**6,198,145**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company - Furniture, fittings and equipment	2019 KShs'000	2018 KShs'000
Cost or valuation:		
At 1 January	14,778	14,018
Additions	-	760
Disposals	(174)	-
At 31 December	14,604	14,778
Depreciation:		
At 1 January	13,861	12,499
Charge for the year	465	1,362
Disposals	(174)	-
At 31 December	14,152	13,861
Carrying amount at 31 December	**452**	**917**

Fully depreciated assets' value as at December 2019 amount to KShs 1,054,713,774 (2018 – KShs 1,050,918,538) with a notional depreciation of KShs 357,026,612 (2018 – KShs 198,780,742). 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 are 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 31st 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 2019 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.

The property, plant and equipment of a subsidiary, Tanelec Limited – Zambia 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation (continued)

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 buildings KShs 000	Plant and machinery KShs 000	Total KShs 000
At 31 December 2019:			
Cost	915,847	1,773,117	2,688,964
Accumulated depreciation	(299,018)	(2,003,298)	(2,302,316)
Carrying value	**616,829**	**(230,181)**	**386,648**
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**

Security

In 2017, Tanelec 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 2019, properties of subsidiaries have been charged to secured banking facilities per Note 27.

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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

11. INVESTMENT PROPERTY

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Valuation				
At 1 January	400,245	-	-	-
Transfer to assets held for sale (Note 12)	(107,000)	-	-	-
Transfer from assets held for sale (Note 12)	-	346,145	-	-
Fair value change	(71,941)	54,100	-	-
Exchange differences	(1,013)	-	-	-
At 31 December	**220,291**	**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.

(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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

12. ASSET HELD FOR SALE

	Consolidated 2019 KShs '000	2018 KShs '000	Company 2019 KShs '000	2018 KShs '000
Balance as at 1 January	28,628	639,704	-	-
Disposals	(24,271)	-	-	-
Transfers:				
- from property, plant & equipment (Note 10)	15,529	28,628	-	-
- from Investment property (Note 11)	107,000	-	-	-
- 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	(4,357)	(9,421)	-	-
Balance as at 31 December	**122,529**	**28,628**	**-**	**-**

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

Property Description	Carrying value 2019 KShs '000	Carrying value 2018 KShs '000	Fair value 2019	Fair value 2018
LR. No. 3734/126, on Elmolo Drive, Lavington, Nairobi, Kenya.	107,000	-	107,000	-
Buildings in Plot No. 7344, Nyerere Road, Light Industrial Area, Kitwe, Zambia	15,529	28,628	15,529	28,628
Total	**122,529**	**28,628**	**122,529**	**28,628**

13. RIGHT-OF-USE-ASSETS

(a) Right-of-use-assets

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Carrying value as at 1 Jan	-	-	-	-
Additions	21,022	-	897	-
Transfer from PPE (Note 10)	1,207,806	-	-	-
Transfer from prepaid operating lease (Note 13(b))	2,461,912	-	-	-
Amortisation charge for the year	(88,100)	-	(225)	-
Exchange adjustment	(3,705)	-	-	-
Balance as at 31 Dec	**3,598,935**	**-**	**672**	**-**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

13. RIGHT-OF-USE-ASSETS (Continued)

(b) Prepaid operating lease rentals

Consolidated	2019 KShs'000	2018 KShs'000
At 1 January	2,468,946	1,398,446
Transfer from asset held for sale (Note 12)	-	221,521
Transfer from property plant and equipment	-	656,920
Amortisation for the year	-	(36,098)
Revaluation surplus	-	248,485
Exchange differences	(7,034)	(20,328)
Transfer to ROU Assets (Note 13(a))	(2,461,912)	-
At 31 December	**-**	**2,468,946**

(c) Lease liability

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Opening balance as at 1 January	-	-	-	-
Additions	21,178	-	897	-
Interest expense	1,084	-	51	-
Lease payments made - Interest	(1,084)	-	(51)	-
Lease payments made - Principle	(1,867)	-	(196)	-
Balance as at 31 Dec	**19,311**	**-**	**701**	**-**
The carrying amount of lease liabilities are payable as follows:				
Within one year	8,333	-	298	-
After one year	10,978	-	403	-
Balance as at 31 Dec	**19,311**	**-**	**701**	**-**
(d) Amounts recognised in the statement of profit or loss				
Amortisation charge for the year	(88,100)	-	(225)	-
Interest expense	1,084	-	51	-
(e) Amounts recognised in the statement of cashflows				
Amortisation charge for the year	(88,100)	-	(225)	-
Lease payments made - Interest	(1,084)	-	(51)	-
Lease payments made - Principle	(1,867)	-	(196)	-

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INTANGIBLE ASSETS (Continued)

Consolidated (continued)

Consolidated 2019:	Software KShs '000	Goodwill KShs '000	Brand KShs '000	Total KShs '000
Cost				
At 1 January	131,450	2,805,672	31,849	2,968,971
Exchange differences	106	(13,981)	509	(13,366)
At 31 December	131,556	2,791,691	32,358	2,955,605
Amortisation				
At 1 January	92,909	4,252	31,849	129,010
Amortisation	4,399	-	-	4,399
Impairment loss	-	2,770,184	-	2,770,184
Exchange differences	205	(18,295)	509	(17,581)
At 31 December	97,513	2,756,141	32,358	2,886,012
Carrying value At 31 December	**34,043**	**35,550**	**-**	**69,593**

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**

Goodwill comprises of:	2019 KShs '000	2018 KShs '000
Civicon Africa Group Limited	-	2,765,660
Tanelec Limited	35,550	35,760
	35,550	**2,801,420**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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. Goodwill impairment loss of KShs 2,770,184 thousand was recognised in profit or loss during the year.

(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 *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVESTMENTS

(a) Quoted shares	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Movement during the year:				
At 1 January	199	175	199	175
Fair value gain/(loss) in the year	41	24	41	24
At 31 December	**240**	**199**	**240**	**199**
Comprising:				
Cost	18,006	18,006	18,006	18,006
Cumulative fair value change	(17,766)	(17,807)	(17,766)	(17,807)
	240	**199**	**240**	**199**

(b) Unquoted shares

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Development Bank of Kenya Limited:				
Cost	78,689	78,689	78,689	78,689
Cumulative fair value gain	282,114	208,125	282,114	208,125
	360,803	**286,814**	**360,803**	**286,814**
Mwangaza Limited:				
Cost	101,764	101,764	-	-
Forex exchange	16,398	16,854	-	-
Cumulative fair value loss	(113,431)	(92,090)	-	-
	4,731	26,528	-	-
	365,534	**313,342**	**360,803**	**286,814**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVESTMENTS (Continued)

(c) *Investment in subsidiaries – fair value*

	2019	2018
Cable Holdings (Kenya) Limited 100% (2018 – 94.8113%):	**KShs '000**	**KShs '000**
Cost	460,232	460,232
Cumulative fair value gain	538,708	577,687
	998,940	**1,037,919**
AEA Limited (formerly Avery East Africa Limited) 94.4058% (2018 – 100%):		
Cost	49,853	49,853
Cumulative fair value gain	467,635	664,195
	517,488	**714,048**
Tanelec Limited 70% (2018 – 70%):		
Cost	78,720	78,720
Cumulative fair value gain	1,361,014	1,469,877
	1,439,734	**1,548,597**
TransCentury Holdings Pty Limited: 100% (2018 – 100%):		
Cost	122,167	122,167
Cumulative fair value gain	(35,135)	190,753
	87,032	**312,920**
Crystal Limited 100% (2018 – 100%):		
Cost	52	52
Cumulative fair value gain	-	-
	52	**52**
TC Mauritius Holdings Limited 100% (2018 – 100%):		
Cost	973,103	973,103
Cumulative fair value gain	(973,103)	2,479,829
	-	3,452,932
Total investment in subsidiaries	**3,043,246**	**7,066,468**
Movement during the year:		
At 1 January	7,066,468	9,714,521
Fair value loss in the year	(4,023,222)	(2,648,053)
At 31 December	**3,043,246**	**7,066,468**
Comprising of:		
Cost	1,684,127	1,684,127
Cumulative fair value gain	1,359,119	5,382,341
Total investment in subsidiaries	**3,043,246**	**,066,468**

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%.

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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVESTMENTS (Continued)

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

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

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

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

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

(d) Change in fair value of investments

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Quoted shares	41	24	41	24
Unquoted shares	52,648	(27,450)	73,990	(43,422)
Investment in subsidiaries (Note 15(c))	-	-	(4,023,222)	(2,648,053)
	52,689	**(27,426)**	**(3,949,191)**	**(2,691,451)**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVESTMENTS (Continued)

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

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial assets measured at fair value at 31 December 2019 and 31 December 2018

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– Valued using Discounted Cash Flow (DCF) method	Weighted Average Cost of Capital (WACC) of 21% (2018; 21.0%). Marketability discount of 10% (2018, 10%)	• 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.
		• Tanelec Limited – Valued using DCF method	Weighted Average Cost of Capital (WACC) of 18.7% (2018, 17.9%). Marketability discount of 10% (2018, 15 %)	• 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 / Kewberg Cables & Braids – Valued using the Net Asset value 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.
		• 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 *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019:

In Kshs'000	Tanelec Ltd	EAC Plc	AEA Ltd	TC Mauritius HoldingsLtd	Total
NCI percentage	**30%**	**31.63%**	**5.59%**	**16.50%**	
Non-current assets	1,053,757	5,020,678	278,092	1,823,905	
Current assets	1,359,707	1,254,199	809,538	1,262,106	
Non-current liabilities	(645,531)	(2,397,641)	(76,920)	(2,743,220)	
Current liabilities	(1,048,323)	(1,747,731)	(885,841)	(10,206,158)	
Net assets excluding underlying NCI	**719,610**	**2,129,505**	**124,869**	**(9,863,367)**	
Underlying NCI	**(128,267)**	**275,929**	**-**	**(552,129)**	
Net assets including underlying NCI	**847,877**	**1,853,576**	**124,869**	**(9,320,643)**	
Carrying amount of NCI	**126,096**	**862,145**	**6,985**	**(553,954)**	**443,097**
Revenue	2,054,067	1,585,203	1,056,583	1,008,051	
Profit	154,820	630,971	22,926	(4,148,804)	
OCI	48,890	(1,354)	(7,816)	42,152	
Total comprehensive income	**203,710**	**629,617**	**15,110**	**(4,167,525)**	
Profit allocated to NCI	24,162	167,301	1,282	(148,804)	43,941
OCI allocated to NCI	24,832	(1,199)	(440)	-	23,193
Cash flows from operating activities	19,217	87,196	(108,075)	(1,585,070)	
Cash flows from investment activities	(10,103)	(2,725)	(16,250)	23,962	
Cash flows from financing activities	(107,878)	(30,367)	119,896	1,569,149	
Net increase (decrease) in cash and cash equivalents	**(98,765)**	**(54,104)**	**(4,429)**	**8,041**	

*Underlying non-controlling interest at Civicon Africa Group Limited

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVESTMENTS (Continued)

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

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 *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

16. LOANS TO SUBSIDIARIES

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Payable after 12 months:				
East Africa Cables Limited	-	-	517,924	480,436
	-	**-**	**517,924**	**480,436**
Movement during the year:				
At 1 January	-	-	480,436	446,271
Impaired	-	-	(2,065)	(4,850)
Issued/accrued interest during the year	-	-	39,553	39,015
Repaid during the year	-	-	-	-
At 31 December (Note 29 (e))	**-**	**-**	**517,924**	**480,436**

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 is charged at a rate of 11% per annum.

17. INVENTORIES

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Raw materials	472,285	485,898	-	-
Finished goods	127,099	152,081	-	-
Work in progress	75,412	37,180	-	-
Goods in transit	85,975	91,513	-	-
Spares and lubricants	129,584	153,526	-	-
Machines	74,399	59,788	-	-
Consumables	76,707	71,869	-	-
Provision for obsolescence and slow-moving stocks	(37,004)	(25,548)	-	-
	1,004,457	**1,026,307**	**-**	**-**

Inventories of KShs 2,593,796. (2018 – KShs 2,429,079) were recognised as an expense during the year and included in cost of sales.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

18. TRADE AND OTHER RECEIVABLES

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Trade receivables	3,865,832	3,421,255	-	-
Bad debts provision (Note 5(a))	(2,024,038)	(1,970,474)	-	-
	1,841,794	**1,450,781**	**-**	**-**
Sundry receivables and prepayments	488,447	592,184	52,264	114,700
Staff receivables	9,052	7,655	303	-
Due from related parties (Note 29(g))	-	-	527,132	1,979,969
	2,339,293	**2,050,620**	**579,699**	**2,094,669**

19. CASH AND BANK

(a) Cash and cash equivalents

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Bank balances	294,886	253,718	1,685	32
Cash at hand	1,121	2,261	255	-
Cash and bank	**296,007**	**255,979**	**1,940**	**32**
Bank overdraft	(70,518)	(87,549)	-	-
Total cash and cash equivalents	**225,489**	**168,430**	**1,940**	**32**

In 2018 Tanelec Limited, a subsidiary of TransCentury PLC took an overdraft facility with TIB bank Limited. The interest on the overdraft is 9% per annum.

The overdraft is secured by:

- Specific debenture over the company's assets registered to cover TZS 6,031,654,663 (KShs 287 million) being 125% of the facilities. Its also secured by a legal mortgage over property located on plot35 Themi Industrial Area, Arusha city valued at TZS 9,256,056,000 (KShs 44 million).
- Cash lien of TZS 900,000,000 (KShs 43 million) over the company's accounts held with the bank.
- Corporate guarantee and indemnity by TransCentury Ltd registered for TZS 6,031,654,663 (KShs 287 million) to cover the credit facility by 125%.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

19. CASH AND BANK (Continued)

(b) Notes to the statement of cash flows

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Depreciation expense	375,983	556,454	465	1,362
Interest received	-	-	(39,553)	(41,065)
Interest expense	-	-	237,157	80,912
Amortisation of ROU Assets (Note 7)	88,100	36,098	225	-
Amortisation of intangibles	4,399	9,345	-	-
Fair value gain of available for sale assets	52,689	-	-	-
(Gain)/loss on sale of property, plant and equipment	1,552	(8,023)	-	-
Impairment of goodwill (Note 6(e))	2,770,184	4,621	-	-
Impairment of inventory (Note 6(e))	3,323	6,056	-	-
Impairment of prepayments (Note 6 (e))	39,716	-	-	-
Impairment of financial instruments (Note 6(e))	241,947	261,149	-	-
Impairment of property, plant & equipment	123,453	328,112	-	-
Write-off of project costs	40,497	-	-	-
Lease interest charge	1,084	-	51	-
Shareholder loan interest	46,716	26,964	-	-
Exchange losses	32,219	373,478	1	-
Interest accrued on preference shares	106,402	185,195	-	-
Interest accrued on convertible bond	143,825	130,925	-	-
Debt writeback (Note 6 (b))	(1,500,628)	-	-	-
Total	**2,571,461**	**1,910,374**	**198,346**	**41,209**

20. SHARE CAPITAL

Consolidated and Company	**2019**	**2018**
Authorised	**KShs**	**KShs**
At 1 January and 31 December		
1,200,000,000 ordinary shares of KShs 0.50 each	**600,000**	**600,000**

	Units 2019 KShs'000	2018 KShs'000	Values 2019 KShs'000	2018 KShs'000
Issued and fully paid ordinary shares of KShs 0.50 each				
At 1 January	375,203	375,203	187,601	187,601
At 31 December	**375,203**	**375,203**	**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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

21.SHARE PREMIUM

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
At 1 January and 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 or losses 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. Revaluation reserve is recognised net of related deferred tax and transferred to retained earnings upon disposal of related property.

23. PROPOSED DIVIDENDS AND EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2019 was based on the loss attributable to ordinary shareholders of KShs 3,979,470 (2018 – loss of KShs 2,982,676) and a weighted average number of ordinary shares outstanding during the year of 375,202,766 (2018 – 375,202,766).

	2019 KShs '000	2018 KShs '000
Loss attributable to ordinary shareholders	(3,979,470)	(2,982,676)
Basic and diluted earnings per share (KShs)	(10.61)	(7.95)

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.

(b) Weighted average number of ordinary shares

	2019 KShs '000	2018 KShs '000
Issued ordinary shares as at 1 January	375,202,706	375,202,706
Weighted effect of shares issued in the year	-	-
As at 31 December	375,202,706	375,202,706

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

23.PROPOSED DIVIDENDS AND EARNINGS PER SHARE (Continued)

(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 (2018 – Nil).

24.BOND, PREFERENCE SHARES AND SHAREHOLDER LOAN

(a) 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). Over the years, 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 while the Group has continued to repay the bond based on the agreement with bond holders. The bond accrues an interest rate of 8% and is repayable on a quarterly basis with the initial final settlement due in 2020. The movement in the bond during the year is as follows:

	2019	2018
	KShs '000	KShs '000
At 1 January	1,868,876	2,018,947
Interest accrued	143,825	130,925
Interest paid	-	-
Settlement to Bondholders	(380,012)	(253,226)
Forex losses	(9,351)	(27,770)
At 31 December	**1,623,338**	**1,868,876**

Presented in the statement of financial position as follows:

Current	1,623,338	1,196,692
Non-current	-	672,184
At 31 December	**1,623,338**	**1,868,876**

On 1/10/2020, the Group reached an agreement with the bondholders to extend the maturity of the bond from 30 June 2020 to 15 July 2022.

(b) Preference shares

On 3 April 2017, the Group issued to Kuramo Capital Management 70,120 preference shares of USD 7 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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

24.BOND, PREFERENCE SHARES AND SHAREHOLDER LOAN (Continued)

(b) Preference shares (continued)

	2019 KShs '000	2018 KShs '000
Interest and redemption premium on preference shares	291,597	185,195
Preference shares	723,861	723,861
	1,015,458	**909,056**

(c) Shareholder loan

	Consolidated 2019 KShs '000	2018 KShs '000	2019 KShs '000	Company 2018 KShs '000
Shareholder loans	**1,224,883**	**699,021**	**582,206**	**83,656**

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

	Consolidated 2019 KShs '000	2018 KShs '000	2019 KShs '000	Company 2018 KShs '000
At 1 January	699,021	388,011	83,656	-
Interest accrued	46,716	26,964	17,472	2,179
Loan advanced	504,963	283,614	484,560	80,600
Repayment	(20,565)	-	-	-
Forex losses	(5,252)	432	(3,482)	877
At 31 December	**1,224,883**	**699,021**	**582,206**	**83,656**

In 2017 and 2018, Kuramo Capital advanced loans amounting to USD 7,623,400 to TC Mauritius Holdings Limited, at an average interest rate of 5.2%;

The loans are secured by a charge of 56,703,563 ordinary shares of KShs 0.50 each in the capital of East African Cables and USD 500,000 is charged on 100,067 ordinary shares of Tanzanian Shillings ten thousand (TZS 10,000) each in the capital of Tanelec Limited. The loan is payable in December 2020. TC Mauritius Holdings is a wholly owned subsidiary of the Company.

Kuramo Capital has advanced the following loans to Transcentury PLC, Company:

- USD 800,000 in November 2018 at annual interest rate of 7% payable in December 2020
- USD 4,750,000 during the year ended 31 December 2019 at an annual interest of 7% payable in December 2020.

On 21 December 2020, the maturity date of all the shareholder loans amounting to KShs 1.2 billion was extended from 31 December 2020 to 31 March 2022.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

25. DEFERRED TAX (ASSET)/LIABILITY

(a) Deferred tax asset

Consolidated

2019

	As at 1 Jan KShs '000	Day 1 IFRS 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	(90,818)	-	35,898	-	-	660	(54,260)
Provisions	100,615	-	(64,754)	-	-	98	35,959
Tax losses	597,737	-	(503,866)	-	-	9,133	103,004
Unrealised exchange losses	59,106	-	(11,779)	-	-	2,681	50,008
	666,640	**-**	**(544,501)**	**-**	**-**	**12,572**	**134,711**

2018

	As at 1 Jan KShs '000	Day 1 IFRS 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)
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**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

(a) Deferred tax asset (continued)0

Company 2019	As at 1 Jan KShs '000	Reclassification 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	2,264	-	337	-	-	-	2,601
2018:							
Property, plant and equipment	2,161	-	103	-	-	-	2,264

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

(b) Deferred tax liability

2019	As at 1 Jan KShs '000	Day 1 IFRS 9 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
Staff gratuity provision	(9,161)	-	(2,110)	(883)	1,045	5	(11,104)
Other provisions and accruals	(438,263)	-	(85,461)	-	-	410	(523,314)
Tax loss	(694,829)	-	168,372	20,104	-	1,099	(505,254)
Unrealised exchange gain	(4,573)	-	3,565	-	-	41,551	40,543
Property plant and equipment	1,550,839	-	(81,872)	480	-	(1,797)	1,467,650
Revaluation	142,420	-	(394)	-	-	(1,889)	140,137
Lease liability	-	-	5,399	-	-	-	5,399
	546,433	**-**	**7,499**	**19,701**	**1,045**	**39,379**	**614,057**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

(b) Deferred tax liability (continued)

2018:	As at 1 Jan KShs '000	Day 1 IFRS 9 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
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**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Current year				
Deferred tax asset	544,501	34,665	337	103
Deferred tax liability	7,499	(167,601)	-	-
	552,000	**(132,936)**	**337**	**103**
Prior year under provision				
Deferred tax asset	-	3,017	-	-
Deferred tax liability	19,701	(20,843)	-	-
	19,701	**(17,826)**	**-**	**-**

26. STAFF GRATUITY

Consolidated				
Balance at 1 January	45,023	41,127	-	-
Payments made in the year	(2,895)	(2,086)	-	-
Remeasurement of gratuity	(2,437)	(1,332)	-	-
Accrual for the year	2,916	7,314	-	-
Balance at 31 December	**42,607**	**45,023**	**-**	**-**

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 by an external actuary at each reporting date. A provision is made in the financial statements for the estimated liability of such gratuity payable.

27. LOANS PAYABLE

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Bank loans				
- Long term	3,360,083	2,859,585	-	763,846
- Short term	4,055,852	5,668,156	2,632,184	1,662,161
Loans from subsidiaries (Note 29(f))	**-**	**-**	**576,073**	**576,073**
	7,415,935	**8,527,741**	**3,208,257**	**3,002,080**
Payable after 12 months	3,360,083	2,859,585	576,073	1,339,919
Payable within 12 months	4,055,852	5,668,156	2,632,184	1,662,161
	7,415,935	**8,527,741**	**3,208,257**	**3,002,080**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

27. LOANS PAYABLE (Continued)

Movement in the loans is as shown below:

	Consolidated 2019 KShs'000	Consolidated 2018 KShs'000	Company 2019 KShs'000	Company 2018 KShs'000
Balance at 1 January	8,527,741	7,928,661	3,002,080	2,811,590
Received during the year	2,520,656	1,371,617	206,177	190,490
Repaid during the year	(2,131,834)	(772,537)	-	-
Loan forgiven*	(1,500,628)	-	-	-
Balance at 31 December	**7,415,935**	**8,527,741**	**3,208,257**	**3,002,080**

*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 for a discounted full and final settlement of all credit facilities outstanding to the bank. The settlement was completed on 20 May 2019. Loss forgiven refers to the resulting gain from the transaction.

The major loans at 31 December 2019 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 is the 6-month USD LIBOR + 8% subject to a minimum rate of 10% p.a. on reducing balance.

East African Cables Plc has facility arrangements with Equity Bank Kenya Limited and the borrowings are secured by certain land and buildings for KShs 1,984 million (2018 – KShs 2,099 million) and debentures over all assets of East African Cables Plc and East African Cables (Tanzania) Limited for KShs 1.7 billion (2018 - KShs 3.2 billion). The bank facility comprises of term loans from Equity Bank Kenya Limited and Ecobank Kenya Limited.

As at 31 December 2019, East African cables PLC had overdue loans amounting to KShs 498 million owed to SBM Bank Kenya Limited (KShs 310 million) and Ecobank Kenya Limited (KShs 188 million). These loans are due and payable on demand. Subsequent to year end, the Company signed facility agreements with SBM Bank Kenya Limited and Ecobank Kenya Limited to restructure the outstanding balances to tenors of ten (10) years and six (6) years respectively.

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 405,000.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

27. LOANS PAYABLE (Continued)

A subsidiary, AEA Limited, has bank facilities with SBM Bank (Kenya) Limited for KShs 300 million (2018 – KShs 250 million) and Sidian Bank Limited for KShs 103 million (2018 KShs 18million). These facilities are secured by its leasehold land and building and a corporate guarantee from TransCentury PLC of USD 2.6m. Interest on these facilities is charged at 13% (2018 – 13%).

On 16 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 million a first ranking over all asset debenture of USD 47 million ; 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 5.9 million. The subsidiary also has an asset finance facility from Equity Bank.

The applicable pricing for the US Dollar denominated loans during 2019 was six (6) month LIBO R p.a subject to a minimum interest rate of 10%. The interest rate on the bank loan was at 10%.

Breach of Loan covenants

As at 31 December 2019, the group and company had breached loan repayments with respect to the lenders listed below and amounts detailed below.

Group

Lender	Defaulted or overdue repayments KShs 000'	Long-term portion that became due on demand due to default KShs 000'	Total amounts due on demand at 31 December 2019 KShs 000'
Equity Bank Kenya Limited	1,780,073	852,111	2,632,184
SBM Bank Kenya Limited	609,261	-	609,261
Ecobank Kenya Limited	188,169	-	188,169
Total	**2,577,503**	**852,111**	**3,429,614**

Company

Lender	Defaulted or overdue repayments KShs 000'	Long-term portion that became due on demand due to default KShs 000'	Total amounts due on demand at 31 December 2019 KShs 000'
Equity Bank Kenya Limited	1,780,073	852,111	2,632,184

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

27. LOANS PAYABLE (Continued)

Remediation of the breaches

Lender	Remediation status
Equity Bank Kenya Limited	• The breach on the facility at company level has not been remedied as at the date of approval of the financial statements. • The company has however submitted a proposal to the Bank on the planned remediation measures which include a private placement with subsequent rights issue that shall be implemented in 2021.
SBM Bank Kenya Limited	• Subsequent to year end AEA Limited signed a facility agreement with SBM Bank Kenya Limited to restructure the outstanding balance (KShs 300m) to a tenor of six (6) years. • Subsequent to year end, East African Cables PLC signed facility agreements with SBM Bank Kenya Limited to restructure the outstanding balances (KShs 310 million) to tenors of ten (10) years.
Ecobank Kenya Limited	• Subsequent to year end East African Cables PLC signed a facility agreement with Ecobank Kenya Limited to restructure the outstanding balances (KShs 188 million) to a tenure of six (6) years.

28. TRADE AND OTHER PAYABLES

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Trade payables	2,790,218	2,558,432	-	-
Sundry creditors	5,183,439	4,717,826	371,401	310,824
Due to related parties (Note 29(h))	-	-	465,809	431,188
	7,973,657	**7,276,258**	**837,210**	**744,012**

29. RELATED PARTIES TRANSACTIONS

Related party transactions are carried out in the normal course of business and are unsecured.

The following transactions were carried out with related parties:

(a) Directors emoluments

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Directors' emoluments	**107,453**	**96,493**	**53,315**	**51,085**
Directors' emoluments comprise:				
- As executives	35,475	35,475	35,475	35,475
- As non-executives	71,978	61,018	17,840	15,610
	107,453	**96,493**	**53,315**	**51,085**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

29. RELATED PARTIES TRANSACTIONS (Continued)

(b) Inter-company sales

	2019 KShs '000	2018 KShs '000
From AEA Limited to Civicon Limited	-	116
From AEA Limited to East African cables PLC	-	285
	-	**401**

(c) Interest income from subsidiaries- Company

	2019 KShs '000	2018 KShs '000
East African Cables PLC	39,553	38,966
Tanelec Limited	-	2,099
Cablerie Du Congo	-	-
Kewberg Cables and Braid (Pty) Limited	-	-
	39,553	**41,065**

(d) Technical fees from subsidiaries- Company

	2019 KShs '000	2018 KShs '000
Tanelec Limited – Tanzania	33,680	37,070
AEA Limited	21,623	15,018
Civicon Kenya Limited	7,108	19,299
East African Cables PLC	47,476	48,932
Tanelec Zambia	2,965	2,198
Civicon DRC Holdings Limited	-	1,484
	112,852	**124,001**

(e) Loans to subsidiaries – Company

	2019 KShs '000	2018 KShs '000
Payable after 12 months:		
TransCentury Holdings (Proprietary) Limited - South Africa	564,882	528,266
East African cables PLC	517,924	480,436
Cableries Du Congo (CDC)	4,262	4,285
Tanelec Limited – Tanzania	-	-
	1,087,068	1,012,987
Impairment loss on TransCentury Holdings (Proprietary) & CDC loans	(569,144)	(532,551)
	517,924	**480,436**

(f) Loan from subsidiary – Company

	2019 KShs '000	2018 KShs '000
Cable Holdings (Kenya) Limited (Note 27)	576,073	576,073

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

29. RELATED PARTIES TRANSACTIONS (Continued)

(g) Due from subsidiaries – Company (2019)

Subsidiary	Amt Due 2019 KShs '000	Impairment 2019 KShs '000	Net 2019 KShs '000
Cable Holdings (Kenya) Limited	9,395	-	9,395
AEA Limited	87,383	-	87,383
TC Mauritius Holdings	1,887,767	1,887,767	-
East African cables PLC	116,486	-	116,486
Crystal Limited	29,223	29,223	-
Tanelec Limited	280,779	-	280,779
Kewberg Cables and Braid (Pty) Limited	280,631	280,631	-
Cable Holdings Mauritius Limited	-	-	-
TC Railway Holdings Mauritius	4,225	4,225	-
Safari Rail Company Limited	3,815	3,815	-
Tanelec Zambia Limited	33,088	-	33,088
Cableries du Congo	121,058	121,057	1
Total (Note 18)	**2,853,850**	**2,326,718**	**527,132**

Due from subsidiaries – Company (2018)

Subsidiary	Amt Due 2018 KShs '000	Impairment 2018 KShs '000	Net 2018 KShs '000
Cable Holdings (Kenya) Limited	8,608	-	8,608
AEA Limited	74,490	-	74,490
TC Mauritius Holdings	1,507,843		1,507,843
East African cables PLC	94,033	-	94,033
Crystal Limited	28,303	28,303	-
Tanelec Limited	262,603	-	262,603
Kewberg Cables and Braid (Pty) Limited	302,524	302,524	-
Cable Holdings Mauritius Limited	2,097	-	2,097
TC Railway Holdings Mauritius	3,614	3,614	-
Safari Rail Company Limited	2,476	2,476	-
Tanelec Zambia Limited	30,291	-	30,291
Cableries du Congo	117,714	117,710	4
Total (Note 18)	**2,434,596**	**454,627**	**1,979,969**

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

29. RELATED PARTIES TRANSACTIONS (Continued)

	2019 KShs'000	2018 KShs'000
(h) Due to subsidiaries - Company		
Cable Holdings (Kenya) Limited	5,426	5,426
Cable Holdings (Mauritius) Limited	37,837	-
TC Holdings Pty Limited	3,740	4,344
Civicon DRC Holdings Limited	242,171	244,767
Civicon Limited	180,375	180,995
	469,549	**435,532**
Writeback of Kewberg payables	(3,740)	(4,344)
Total (Note 28)	**465,809**	**431,188**

(i) Key management compensation

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Short-term employee benefits	311,014	350,167	61,771	61,771
Post-employment benefits	151,488	19,483	4,671	4,671
	462,502	**369,650**	**66,442**	**66,442**

(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.

(k) Borrowings from shareholders

	Consolidated 2019 KShs '000	Consolidated 2018 KShs '000	Company 2019 KShs '000	Company 2018 KShs '000
Preference shares - Note 24(b)	1,015,458	909,056	-	-
Shareholder loans - Note 24(c)	1,224,883	699,021	-	83,656
	2,240,341	**1,608,077**	**-**	**83,656**

30. SEGMENT INFORMATION

(a) Basis of segmentation

The Group has two 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:

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

30. SEGMENT INFORMATION (Continued)

(a) Basis of segmentation (continued)

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.

Year ended 31 December 2019	Power KShs'000	Engineering KShs'000	Others KShs'000	Intra-group adjustments KShs'000	Total KShs'000
Segment revenue	3,639,270	2,064,634	-	-	5,703,904
Profit/(loss) before depreciation, impairment and finance costs	**1,747,927**	**(51,164)**	**(171,631)**	**-**	**1,525,132**
Finance costs	(450,800)	(193,810)	(418,860)	-	(1,063,470)
Income tax expenses	(167,718)	(582,705)	337	-	(750,086)
Loss for the year	**466,344**	**(1,003,745)**	**(3,398,128)**	**-**	**(3,935,529)**
Attributable to:					
Equity holders	290,249	(785,239)	(3,484,480)	-	(3,979,470)
Non-controlling interest	176,095	(129,154)	-	-	43,941
Other information:					
Segment assets	8,986,759	4,352,097	(332,372)	-	13,006,484
Segment liabilities	8,032,683	9,096,045	3,012,490	-	20,141,218
Depreciation and amortization	355,075	112,717	690	-	468,482
Segment revenue	**2,951,405**	**1,267,842**	**28,011**	**-**	**4,247,258**
Profit/(loss) before depreciation, impairment and finance costs	**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)

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.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	2019 KShs '000	2018 KShs '000
Kenya	3,401,481	2,421,394
Tanzania	2,163,327	1,649,304
Uganda	33,268	56,426
South Sudan	-	-
South Africa	-	691
DR Congo	-	48,478
Zambia	105,828	70,965
	5,703,904	**4,247,258**

(ii) Non-current assets

	2019	2018
Kenya	5,971,795	10,816,661
Tanzania	2,413,736	1,353,883
Uganda	36,073	22,983
South Sudan	-	-
South Africa	209,860	421,843
Mauritius	26,395	26,528
DR Congo	50,668	108,590
Zambia	97,447	136,990
	8,805,974	**12,887,478**

31. CAPITAL COMMITMENTS

There were no capital commitments across the Group during the year (2018 – Nil).

32. CONTRACTUAL LEASE COMMITMENTS

Consolidated	(IFRS 16) 2019 KShs'000	(IAS 17) 2018 KShs'000
Less than one year	4,411	19,195
Between one and five years	31,468	39,190
	35,879	**58,385**

Company		
Less than one year	330	15,114
Between one and five years	468	8,190
	798	**23,304**

See disclosure under note 3 for transition to IFRS 16

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 1,494,546,000 as at 31 December 2019 (2018 – KShs 2,878,281,000). Letters of credit amounted to KShs 217,927,650 as at 31 December 2019 (2018 – KShs 117,680,248) whose related liabilities have been accrued in the financial statements as appropriate for the supplies.

Notes to the Consolidated and Separate Financial Statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2019

34. EVENTS AFTER THE REPORTING DATE

(a) Debt Restructure

On 2 March 2020, the Group through its subsidiary, East African Cables signed a facility agreement with SBM Bank Kenya Limited to restructure the debt facilities amounting to KShs 313.4 million to a term of ten (10) years effective April 2020. A similar loan facility was signed with Ecobank Kenya Limited in June 2020 resulting to restructure of the outstanding debt amounting to KShs 189.6 million to a term of six (6) years with effect from July 2020.

On 6 February 2020, the Group through its subsidiary, AEA Limited signed a facility agreement with SBM Bank Kenya Limited to restructure the debt amounting to KShs 313.1 million to a tenor of seven (7) years effective March 2020.

On 1 October 2020, the Group through its shareholder, Kuramo Africa Opportunity Kenyan Vehicle Limited entered into a restructuring Standstill Agreement with the bondholders to reschedule the bond maturity payments as follows; Year 2020 (USD, 2,500,000); Year 2021 (USD 5,600,000); Year 2022 (USD 4,000,000).

On 30 April 2021, the principal shareholder, Kuramo Africa Opportunity Kenyan Vehicle Limited agreed and signed amended terms to the shareholder loan extending the maturity date of the shareholder loans advanced to the Group amounting to KShs 1.2 billion from 31 December 2020 to 31 December 2022.

(b) Working capital facilities

On 9 November 2020, the Group through its subsidiary, AEA Limited signed new working capital facilities amounting to KShs 504 million which will be utilised to fund the short-term working capital needs of the business.

In March 2020, the Group through its subsidiary, Tanelec Limited, enhanced its banking facilities by signing a facility agreement with TIB Corporate Bank Limited amounting to KShs 1.2 billion (USD 11 million). The facility is utilised to fund the working capital needs for procurement of raw materials and business operations.

On 6 April 2020, Tanelec was granted additional banking facilities by CRDB Bank amounting to~ KShs 200m (USD 2m) thereby increasing its available working capital facilities to KShs 1.3b (USD 13m).

(c) Debt Waivers

On 2 March 2020, the Group through its subsidiaries, Civicon Limited incorporated in Kenya and Civicon Limited incorporated in Mauritius signed a settlement deed with two (2) creditors namely; Kivuwatt Limited, a company incorporated in Rwanda and BNY Mellon Corporate Trustee Services Limited , a company incorporated in England and Wales. The settlement deed relates to the final award of KShs 1.5 billion (USD 12.9 million and GBP 1.8 million) delivered on 17 October 2017 by the International Chamber of Commerce for the arbitration dispute commenced in April 2013.The dispute in arbitration arose from breaches in construction contracts entered by the Civicon entities and Kivuwatt Limited.

The parties agreed for a full and final settlement of KShs 709 million (USD 7 million) which shall be paid by way of fourteen (14) instalments payable every six (6) months amounting to KShs 51 million (USD 500,000 each). This resulted into a discount of KShs 810 million (USD 8 million) which shall be accounted for in the year ending 31 December 2020.

On 8th October 2020, the Group through its subsidiary, TC Engineering and Contracting received a full and final settlement offer of KShs 56 million from the minority shareholders, Alacrity Limited for the total debt owed amounting to KShs 1.77 billion. This forgiveness releases KShs 1.72 billion debt that was due on demand.

34. EVENTS AFTER THE REPORTING DATE (Continued)

(d) COVID-19 pandemic

The containment measures effected by the Government of Kenya and other countries globally to reduce the spread of the COVID-19 pandemic have impacted the business environment. These measures, which include movement restriction and reduced working hours have affected the Group's supply chain process, productivity, and access to the market. The risks arising from this pandemic could include market contraction, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. The directors note that demand for our products and services will be affected.

At the time of issuing these financial statements, the directors estimate that the effect of COVID-19 to the Group and Company revenues for 2020 will be about 22%. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require a material adjustment to the carrying amount of the assets or liabilities reported in these financial statements.

(e) Changes in tax laws

On 25 April 2020, the Kenyan government enacted the Tax Laws (Amendment) Act, 2020 which includes but is not limited to the below amendments:

(i) Reduction of the corporate tax rate from 30% to 25%. This decrease does not affect the amounts of current or deferred income taxes recognised as at 31 December 2019 as it applies to the 2020 year of income. However, this change will decrease the Group and Company's future current tax charge accordingly.

(ii) If the new tax rate were applied to calculate taxable and deductible temporary differences as at 31 December 2019, the effect would be the net deferred tax liability disclosed at (Note 25) would decrease by KShs 80m for Group and KShs 0.5m for Company.

Introduction of minimum tax based on 1% of turnover, effective from 1 January 2021. Given that the Group and Company have been recording tax losses, this change will have an impact on their future current tax charge from 1 January 2021.

On 23 December 2020, the Kenyan government enacted the Tax Laws (Amendment) Bill 2020 which reversed the Corporate tax rate from 25% back to 30% effective 1 January 2021. The amendment reverses the impact of the changes made on 25 April 2020 with respect to corporate tax rate described above.

Composition of Intrinsic Net Asset Value

FOR THE YEAR ENDED 31 DECEMBER 2019

		31-Dec-19		31-Dec-18
	Net asset value KShs '000	Fair value KShs '000	Net asset value KShs '000	Fair value KShs '000
Cable Holdings (Kenya) Limited	998,938	998,940	1,037,919	1,037,919
Avery Kenya Limited	124,869	517,488	109,811	714,048
Tanelec Limited	719,610	1,439,734	509,663	1,548,597
TransCentury Holdings Pty Limited	(1,091,110)	87,032	(1,004,078)	312,920
Crystal Limited	(31,605)	52	(30,905)	52
TransCentury Mauritius Holdings	(9,863,366)	-	(5,706,382)	3,452,932
Total Net Asset Value (NAV)	**(9,142,664)**	**3,043,246**	**(5,083,972)**	**7,066,468**
No of shares	**375,202,766**	**375,202,766**	**375,202,766**	**375,202,766**
NAV after tax per share (KShs)	**(24.40)**	**8.11**	**(13.55)**	**18.83**

TransCentury
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NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second (22nd) Annual General Meeting of TransCentury Plc (the "Company") will be held via electronic communication on **Thursday 10th June 2021 at 11am** to conduct the following business:

AGENDA

A. ORDINARY BUSINESS

1. To receive and adopt, the Chairman's statement, reports of the Directors and Auditors and audited financial statements for year ended 31 December 2019;
2. To note that the directors do not recommend payment of a dividend for the year ended 31 December 2019;
3. To elect the following directors in accordance with the Company's Articles of Association;
   3.1 Mr. Shaka Kariuki 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.
   3.2 Pursuant to paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of securities to the Public 2015, to approve the continuation in office as a director, Mr. Ephraim Kariithi Njogu who is above the age of seventy (70) years.
4. 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. Further, Mrs. Anne Mutahi being one of the directors be appointed as an additional member of the Board Audit, Risk & Compliance Committee.
5. To approve the Directors' remuneration for the year ended 31st December 2019;
6. To approve the re-appointment of KPMG Kenya as the auditors in accordance with section 721 (2) of the Companies' Act, 2015 and to authorize the Directors to fix their remuneration.

B. SPECIAL BUSINESS

7. Amendment of the Articles of Association

7.1 To consider, and if deemed fit, pass the following resolutions as Special Resolutions amending the Articles of Association of the Company by introducing new Articles 61(ii), 61(iii), 61(iv) and renumbering Article 61 to read "61 (i) in accordance with section 22 of the Companies Act, 2015.

61(ii) "Notwithstanding anything contained in these Articles, if the Board calls a meeting of shareholders or of the Board, the Board may determine that the meeting be held, subject to and in accordance with the Act or any other applicable regulations, entirely by means of telephonic, electronic or other communications facility that permits all participants to communicate adequately with each other during the meeting (Multi-site, virtual or hybrid meeting). In the event such a meeting is to be held, the Board shall, notwithstanding anything contained in these Articles, establish the procedures for the conduct thereof including, without limitation, the procedures for voting by telephonic, electronic or other communications facility. Participation in the multi-site, virtual or hybrid meeting held by telephonic, electronic or other communications facility shall constitute presence of the Members or Directors at the meeting and anything contained in these Articles requiring:

61(iii) Members or Directors to be personally present shall be construed as including a virtual, telephonic or electronic presence; and

61(iv) Notice of a meeting to include the place of the meeting shall be construed to include the means of conduct and mechanism for assessing and participating in the meeting if it is a multi-site, virtual or hybrid meeting"

8. Increase of share capital and authorisation of directors to allot and issue shares

8.1 To consider, and if deemed fit, pass the following resolution as a special Resolution:

"THAT the share capital of the Company be and is hereby increased from Kenya Shillings six hundred million(KES 600,000,000) divided into one billion two hundred million (1,200,000,000) ordinary shares of Kenya Shillings fifty cents (KES 0.50) each by the creation of an additional two billion (2,000,000,000) ordinary shares of a par value of Kenya Shillings fifty cent (KES 0.50) each and such shares to rank pari passu in all respects with the existing ordinary shares in the capital of the Company, with the intention that the newly authorized shares will be allotted and issued pursuant to a rights issue

8.2 To consider, and if deemed fit, pass the following resolution as an Ordinary Resolution:

"THAT the directors be and are hereby granted the power to:

a) Pursuant to a rights issue, allot and issue up to two billion (2,000,000,000) ordinary shares in the Company in accordance with Section 329 of the Companies Act, 2015; and

9. Rights Issue

9.1 To consider, and if deemed fit, pass the following resolution as a Special Resolution:

"THAT, the directors be and are hereby authorised to carry out a rights issue for the allotment and issuance of up to two billion (2,000,000,000) additional ordinary shares in the Company, subject to any required regulatory approvals including but not limited to the Capital Markets Authority, by way of rights to the holders of the issued ordinary shares in the Company registered at the close of business on such date and at such price as shall be determined by the directors and on such terms and conditions as the directors may determine." The Rights Issue will be on the basis of five (5) new shares for every one (1) ordinary share held and further the directors be authorized to deal with fractions in such manner as they may think fit and to effect all acts and things required to give effect to this resolution subject to the provisions of the Companies Act 2015, the Company's Articles of Association and the CMA Regulations.

For the purposes of paragraph 4 of the Fourth Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002, this is the announcement of the recommendation of the Rights Issue by the Board of the Company.

Further details on all the recommendations are available at the Company's website www.transcentury.co.ke

By Order of the Board
Company Secretary
P.O. Box 42334-00100
NAIROBI
Date: 14th May 2021

TransCentury
Impacting Africa

NOTICE OF THE ANNUAL GENERAL MEETING

NOTES

1. *Owing to the ongoing Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government restricting public gatherings, it is impossible, for the Company to hold a physical AGM in the manner envisaged under the Company's Articles of Association and section 280 of the Companies Act 2015. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, issued an order permitting any company listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting subject to receipt of a 'No Objection Certificate' from the Capital Markets Authority* ***("CMA")****. Relying on this court order, Transcentury Plc has convened and will conduct its virtual general meeting following receipt of a No Objection Certificate from the CMA.*
2. *Shareholders wishing to participate in the meeting via their mobile phones should register for the AGM by dialing* ****483*252#*** *on their mobile telephone and follow the various prompts on the registration process. Shareholders domiciled outside of Kenya or those wishing to participate through the online platform should send an email to Image Registrars via* ***info@image.co.ke****. The online registration will close 48 (fourty eight) hours prior to the AGM.*
3. *To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number. For assistance shareholders should dial the following helpline number:* ***(+254) 709 170 000*** *from 8:00 a.m. to 5:00 p.m. from Monday to Friday. Shareholders outside Kenya should dial the helpline number or send an email to info@image.co.ke for assistance during registration.*
4. *Registration to open when the AGM notice is published and close 48 (fourty eight) hours before the AGM.*
5. *The following documents may be viewed on the Company's website* ***www.transcentury.co.ke*** *(a) a copy of this Notice and the proxy form; (b) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (c) a copy of the No Objection Certificate issued by the CMA (d) Audited financial statements for year ended 31 December 2019.*
6. *Any shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. Such proxy need not be a member of the Company.*
7. *A proxy form will be provided with the notice of the AGM. The proxy form can also be obtained from the Company's website* ***www.transcentury.co.ke*** *or from Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P. O. Box 9287 – 00100, Nairobi, Kenya. Shareholders who do not propose to be at the General Meeting are requested to complete and return the proxy form to Image Registrars Limited, or alternatively to the Registered Office of the Company so as to arrive not later than 48 (forty-eight) hours before the AGM.*
8. *Duly signed proxy forms may also be emailed to* ***info@image.co.ke*** *in PDF format. A proxy form must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the hand of an officer or duly authorized attorney of such body corporate.*
9. *Shareholders wishing to raise any questions or clarifications regarding the AGM may do so 24 (twenty four) hours before the start of the meeting on or by: (a) sending their written questions by email to* ***info@image.co.ke****; or (b) to the extent possible, physically delivering or posting their written questions to Image Registrars offices at Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P. O. Box 9287 – 00100, Nairobi, Kenya. Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions or clarifications.*

The Company's directors will provide written responses to the questions received no later than 12 (twelve) hours before the start of the AGM. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 (twelve) hours before the start of the AGM.

10. *The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers or emails on their registered email addresses, 24 (twenty-four) hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, as a reminder that the AGM will begin in an hours' time and providing a link to the live stream.*
11. *Shareholders and proxies who have registered to attend the AGM may follow the proceedings using the live stream platform, access the agenda and vote (when prompted by the chairman) via the USSD prompts.*
12. *Results of the resolutions voted on will be published on the Company's website* ***www.transcentury.co.ke*** *within 24 (twenty-four) hours following conclusion of the AGM.*

Shareholders are encouraged to continuously monitor the Company's website for any updates relating to the AGM.

Proxy Form

I/We ________________________________ of ________________________________ being a shareholder/shareholders of the above-named Company, hereby appoint ________________ of________________ or failing him________________ of ________________ as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting (AGM) of the Company to be held on 10th June 2021 and at any adjournment thereof.

As witness my/our hand this____________ day of ____________ 2021.

SIGNED________________ SIGNED________________

This Form is to be used in for or against any resolutions here below. Please mark as appropriate. Unless otherwise instructed, the proxy shall vote as he thinks fit.

Ordinary Business	**For**	**Against**	**Withheld**
To receive and adopt, the Chairman's statement, reports of the Directors and Auditors and audited financial statements for year ended 31 December 2019			
To note that the directors do not recommend payment of a dividend for the year ended 31 December 2019			
Mr. Shaka Kariuki 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			
Pursuant to paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of securities to the Public 2015, to approve the continuation in office as a director, Mr. Ephraim Kariithi Njogu who is above the age of seventy (70) years.			
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			
Further, Mrs. Anne Mutahi being one of the directors be appointed as an additional member of the Board Audit, Risk & Compliance Committee.			

Proxy Form

Ordinary Business	For	Against	Withheld
To approve the Directors' remuneration for the year ended 31st December 2019;			
To approve the re-appointment of KPMG Kenya as the auditors in accordance with section 721 (2) of the Companies' Act, 2015 and to authorize the Directors to fix their remuneration			

Special Business	For	Against	Withheld
Amendment of the Articles of Association 7.1 To consider, and if deemed fit, pass the following resolutions as Special Resolutions amending the Articles of Association of the Company by introducing new Articles 61(ii), 61(iii), 61(iv) and renumbering Article 61 to read "61 (i) in accordance with section 22 of the Companies Act, 2015. 61(ii) "Notwithstanding anything contained in these Articles, if the Board calls a meeting of shareholders or of the Board, the Board may determine that the meeting be held, subject to and in accordance with the Act or any other applicable regulations, entirely by means of telephonic, electronic or other communications facility that permits all participants to communicate adequately with each other during the meeting (Multi-site, virtual or hybrid meeting). In the event such a meeting is to be held, the Board shall, notwithstanding anything contained in these Articles, establish the procedures for the conduct thereof including, without limitation, the procedures for voting by telephonic, electronic or other communications facility. Participation in the multi-site, virtual or hybrid meeting held by telephonic, electronic or other communications facility shall constitute presence of the Members or Directors at the meeting and anything contained in these Articles requiring: 61(iii) Members or Directors to be personally present shall be construed as including a virtual, telephonic or electronic presence; and 61(iv) Notice of a meeting to include the place of the meeting shall be construed to include the means of conduct and mechanism for assessing and participating in the meeting if it is a multi-site, virtual or hybrid meeting.			

Proxy Form

Special Business	For	Against	Withheld
Increase of share capital and authorization of directors to allot and issue shares **8.1 To consider, and if deemed fit, pass the following resolution as a special Resolution:** "THAT the share capital of the Company be and is hereby increased from Kenya Shillings six hundred million(KES 600,000,000) divided into one billion two hundred million (1,200,000,000) ordinary shares of Kenya Shillings fifty cents (KES 0.50) each by the creation of an additional two billion (2,000,000,000) ordinary shares of a par value of Kenya Shillings fifty cent (KES 0.50) each and such shares to rank pari passu in all respects with the existing ordinary shares in the capital of the Company, with the intention that the newly authorized shares will be allotted and issued pursuant to a rights issue **8.2 To consider, and if deemed fit, pass the following resolution as an Ordinary Resolution:** "THAT the directors be and are hereby granted the power to: a) Pursuant to a rights issue, allot and issue up to two billion (2,000,000,000) ordinary shares in the Company in accordance with Section 329 of the Companies Act, 2015; and			
Rights Issue **9.1 To consider, and if deemed fit, pass the following resolution as a Special Resolution:** "THAT, the directors be and are hereby authorised to carry out a rights issue for the allotment and issuance of up to two billion (2,000,000,000) additional ordinary shares in the Company, subject to any required regulatory approvals including but not limited to the Capital Markets Authority, by way of rights to the holders of the issued ordinary shares in the Company registered at the close of business on such date and at such price as shall be determined by the directors and on such terms and conditions as the directors may determine." The Rights Issue will be on the basis of five (5) new shares for every one (1) ordinary share held and further the directors be authorized to deal with fractions in such manner as they may think fit and to effect all acts and things required to give effect to this resolution subject to the provisions of the Companies Act 2015, the Company's Articles of Association and the CMA Regulations. For the purposes of paragraph 4 of the Fourth Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002, this is the announcement of the recommendation of the Rights Issue by the Board of the Company			

Proxy Form

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy(i) ______________________________

____

____

Address: ______________________________

____

Mobile Number:

Date: ______________________________

Signature: ______________________________

Please tick ONE of the boxes below and return to Image Registrars Limited at P.O. Box 9287- 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi: **Approval of Registration**			
I/We approve to register to participate in the virtual AGM to be held on 10th June 2021.			
Consent for use of the Mobile Number provided			
I/We would give my/our consent for the use of the mobile number provided for purposes of voting at the virtual AGM.			

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street and address P.O. Box 9287-00100 Nairobi, or through their email address info@image.co.ke to arrive not later than 11.00 a.m. on 8th June 2021 i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the Proxy Form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. A "vote withheld" option has been included on the Proxy Form. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution


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