

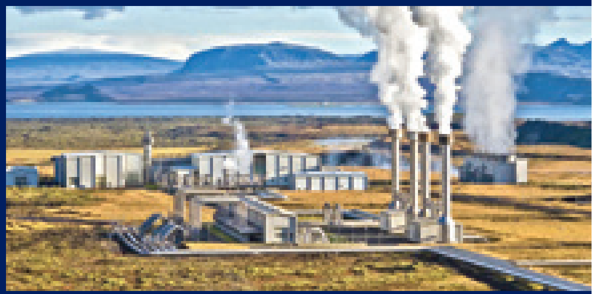

ANNUAL REPORT & FINANCIAL STATEMENTS 2014

TransCentury

Investing in Africa

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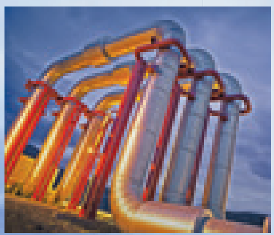


Who we are

TransCentury is an Infrastructure Company listed on the Nairobi Securities Exchange with three divisions across 14 countries in East, Central and Southern Africa.

POWER DIVISION

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

INFRASTRUCTURE PROJECTS DIVISION

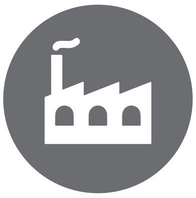
Critical energy and transport infrastructure to support key pillars of the domestic and export economy

ENGINEERING DIVISION

- Mechanical and civil engineering;
- Transport & logistics; and
- Cranage & erection services

TransCentury delivers value through three divisions to four main markets

ENERGY / INFRASTRUCTURE



INDUSTRIAL

COMMERCIAL

RESIDENTIAL

TransCentury's philosophy is to pursue markets that display underpenetration and inefficiency. Infrastructure in Africa displays these characteristics considering the region suffers from a chronic under supply of power and transportation and even when these services are available, the costs are multiples of comparable services in developed markets'

Dr. Gachao Kiuna
Chief Excecutive Officer & Managing Director

Value Drivers

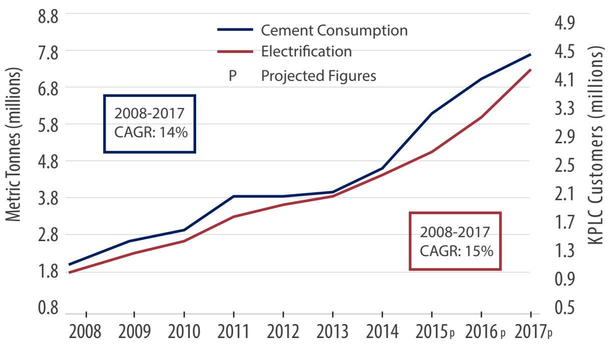
"TransCentury is driving value by growing both its operating divisions and participating in the development of select Infrastructure Projects which are synergistic to its operations"

Power Division

The Power Division is a leading manufacturer of electrical cables and transmission equipment in East, Central and Southern Africa, with a broad customer base that includes retail outlets, large & small electrical contractors, large projects and utilities. Despite recent growth, the power sector remains highly underserved. The future growth opportunities in power division are mainly driven by increase in power generation capacity, electrification rate and an increasing number of construction projects to fulfil the growing housing demand in the region. Africa presents an exciting growth market, given the following market factors;

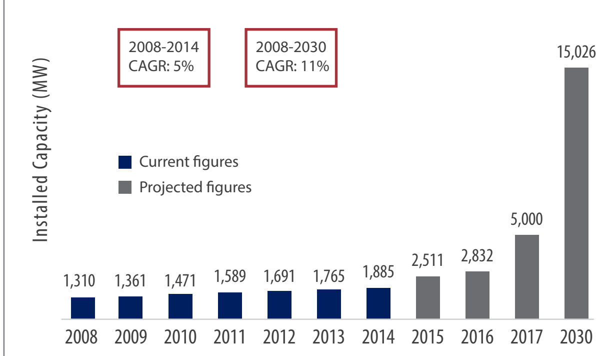
Fundamentals: Strong growth

CEMENT CONSUMPTION AND ELECTRIFICATION



Source: KPLC and KNBS

POWER GENERATION CAPACITY



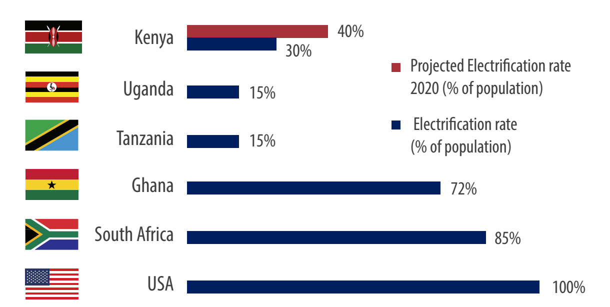
Source: KPLC, ERC

Cement consumption and electrification has been increasing over time driven by the increasing number of construction projects to fulfil the growing housing demand in the region. Currently the demand for housing and electricity by far supersedes supply. The power generation capacity has been increasing historically and is expected to increase tremendously in the future. This is driven by an increased demand of power for industrial use and for domestic consumption. This creates an exciting growth opportunity for TransCentury in;

- Transmission lines through East African Cables,
- Manufacture of distribution transformers through Tanelec;
- Distribution and manufacture of cables for residential and commercial use through East Africa Cables;

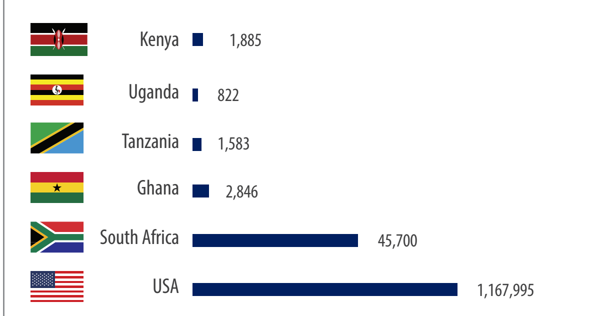
Market potential: Still underserved

ELECTRIFICATION RATE: % OF POPULATION



Source: World Energy Outlook, Kengen

CURRENT INSTALLED CAPACITY (MW)



Source: ERA, VRA, TANESCO, US Energy Information Administration

Subsidiaries

East African Cables — www.eacables.com

KEWBERG CABLES — www.kewberg.com

Câbleries du Congo — www.cableries.cd

TANELEC / TANELEC Zambia — www.tanelec.co.tz

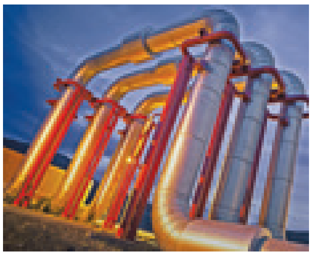
Value Drivers *(continued)*

- The strong growth in the regional economies has increased purchasing power of the population. This coupled with urbanisation in the region has also contributed to increased power consumption and an increasing percentage of the population who can afford electrification.
- East Africa's installed power capacity lags not just in the developed markets of the world, such as the United States and Europe, but even more interestingly the region's peers of South Africa and Ghana.
- Access to power in Africa for both industrial use and for domestic consumption is hampered by limited generation, distribution and transmission capacity. This presents yet another exciting growth opportunity for TransCentury's Power Division.

Engineering Division

TransCentury's Engineering Division is the region's leading Mechanical and Civil Engineering and Contracting firm in East and Central Africa. The Division has a dynamic management with over 50 engineers and technicians, a staff base of over 2000 and a large asset base of 5 fully equipped workshops across Eastern Africa. It has over 1000 pieces of well-maintained heavy equipment and in house quality assurance and quality control.

The Division provides out-of gauge logistics, craneage and erection services. It also distributes and services weighing equipment, video - jet printers and generators for the Avery, Video-Jet and Power Source-Perkins brands respectively.



Demand for engineering continues to grow, driven by the following:

- Development of power generation and transmission facilities in the region
- Investment by governments in the region to develop new roads and maintain existing ones, this is line with long term and medium government strategic plans such as vision 2030 in Kenya
- Investment by the private sector in oil storage facilities across the region
- Exploration for oil and gas in the region - particularly in Tanzania, Uganda and northern Kenya
- Development of mining in the Democratic Republic Congo and Tanzania.

Subsidiaries

civicon

www.civiconkenya.com

AEA AVERY EAST AFRICA

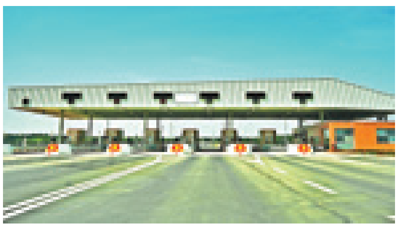
www.averyafrica.com

Infrastructure Projects Division

The Division is focused on power, engineering and other infrastructure projects. TransCentury is involved in critical energy and transport infrastructure to support key pillars of the domestic and export economy. TransCentury adds value by originating, building and operating the infrastructure projects. The Division has a strong pipeline of other similar infrastructure concessions across East Africa in energy and transportation infrastructure.

The general growth of economy provides for funding for capital expenditure within industrial and the infrastructure sector. Demand for infrastructure projects continues to grow, driven by the following:

- On-going programs by utilities throughout the region to rehabilitate existing grids, increase new connections and augment power generation.
- The increasing level of government and private participation in infrastructure projects to support growth in the transportation sector such as the 10,000 km annuity financed road project in Kenya.
- The discovery of natural resources such as on-shore oil in Northern Kenya and the large gas deposits in Southern Tanzania is creating significant opportunities as the Group continues to serve its oil and gas clients on their infrastructure needs.
- The development of the nascent mining sector leading to new mine builds in East, Central and Southern Africa region continues to be an area of growth for the Group, particularly in Democratic Republic of Congo and Kenya.



TransCentury
Investing in Africa

www.transcentury.co.ke

Directors, Officers and Statutory Information

DIRECTORS
Zephaniah Mbugua - (Chairman)
Joseph Karago
Peter Kanyago
Robin Kimotho
Ngugi Kiuna
Njeru Kirira
Gachao Kiuna
Carol Musyoka

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

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

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

REGISTERED OFFICE
7th Floor, Longonot Place
Kijabe Street
PO Box 42334
00100 Nairobi GPO

PRINCIPAL PLACE OF BUSINESS
7th Floor, Longonot Place
Kijabe Street
PO Box 42334
00100 Nairobi GPO

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

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

BANKERS
Citibank NA-Kenya Branches
PO Box 30711
00100 Nairobi GPO

Commercial Bank of Africa Limited
PO Box 30437
00100 Nairobi GPO

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

Kenya Commercial Bank of Limited
PO Box 30081
00100 Nairobi GPO

National Industrial Credit Bank Limited
PO Box 44599
00100 Nairobi GPO

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

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

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

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

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

Board of Directors

Mr. Zephaniah Gitau Mbugua
Chairman of the Board

Mr. Mbugua is a graduate of Makerere University with a BSc in Chemistry and Mathematics. He is a successful serial entrepreneur, developing businesses and partnerships across Africa for the last 36 years. He is the founder member and Chief Executive Officer of Abcon Group a Holding company with varied business interests. He is also a director of Proctor & Allan EA Ltd, Real Insurance (Tanzania) and Zeniki Investment Ltd.

Dr. Gachao Kiuna
Chief Executive Officer & Managing Director

Dr. Gachao joined TransCentury from McKinsey & Company in Johannesburg, where he was a member of the Office Leadership Group leading McKinsey's Sub-Saharan Africa Practice. He was involved in advising corporate clients in emerging markets on corporate finance and strategy. He was also the principal consultant that led the McKinsey assignment to develop the Vision 2030 project for the Government of Kenya. Gachao joined McKinsey in 2003 after completing his PhD at the University of Cambridge, Corpus Christi College in the United Kingdom. Additionally, he holds a First Class Honours BSc degree from Imperial College, London in Biochemistry and a PhD in Biotechnology from the Institute of Biotechnology in Cambridge.

Carol Musyoka
Director

Ms. Carol Musyoka has several years of financial leadership including deal origination, structuring and execution, as well as credit risk and treasury management. She has extensive senior-level experience in banking and corporate finance, having previously been Chief Operating Officer at K-Rep Bank, Corporate Director of Barclays Bank, Kenya and Corporate Manager with Citibank Kenya. Carol received her Masters of Law degree from Cornell University, USA and holds Bachelor of Law degree from the University of Nairobi. She is currently a director at BAT Kenya Ltd as well as a Trustee as SOS Children's Villages.

Joseph Karago
Director

Mr. Karago holds a Bachelor of Architecture from the University of Nairobi. In his professional background, he has worked for Symbion International Architects (1987-1991) and later joined Plence International as Partner-in-charge of Design and Technical Co-ordination (1992-1995). His entrepreneurial interest saw him leave Plence International to set up his own practice, Karago & Associates Architects that he manages to date. Mr. Karago is chairman of Tanelec Ltd, Sajo Ltd and Mcensal Ltd and is very active in corporate social responsibility including acting as a member of the board of governors of Thomas Barnados Home and Chairman of the Adoptions Committee, Kenya Children's Home.

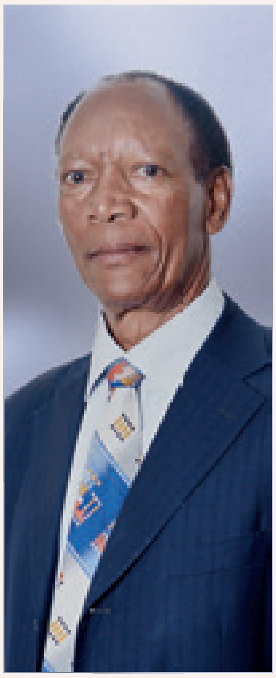
Board of Directors *(continued)*

Ngugi Kiuna
Director

Mr. Kiuna graduated with a BSc Hons in Mechanical Engineering from the University of Portsmouth in the United Kingdom. He is currently the managing Director of Maxam Limited, the distributor of Heineken across East Africa. His professional experience has involved working as a Managing Director of DiverseyLever East Africa. His other directorships include BOC Gases Kenya Ltd, Proctor & Allan (EA) Ltd, UBA Kenya Limited and X & R Technologies (Xerox).

Peter Kanyago, MBS, EBS
Director

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



Robin Kimotho
Director

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

Njeru Kirira
Director

Mr. Kirira graduated with a Masters degree in Public Administration (MPA) from the University of Pitts-burgh and BA (Hons) from Maker-ere University in economics. He is trained and experienced in Fiscal Affairs and Tax Administration and is currently a managing Consultant with Global Economic Investment and Financial Consultancy Limited (GEIFIC Limited). In his professional career, he has been a long serving tax and fiscal policy administrator. He served in various capacities in the Treasury including, the Director of Fiscal & Monetary Affairs, and Economic Advisor to the Central Bank of Kenya before his appoint-ment as the Financial Secretary to the Treasury. He has consulted with various local and regional organi-zations on economic and public administration.

Group Corporate Team






From top L to R

Dr. Gachao Kiuna
CEO / Managing Director

Martin Munyiri
Head of Finance

Allan Munyua
Division Principal, Power & Engineering

Nganga Njiinu
Division Manager, Engineering

Geoffrey Njue
Group Internal Auditor

Phyllis Gachau
Group Communications Manager

Division Team

ENGINEERING DIVISION

Jason Horsey
Chief Executive Officer
Civicon Group

Michael Wachira
Chief Financial Officer
Civicon Group

Ben Kiilu
Business Development
Manager - Civicon Group

Ivan Colladon
Chief Operating Officer
Civicon Group

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

POWER DIVISION

George Mwangi
Chief Executive Officer
TCL Power

David Mwangi
Group Technical Manager
TCL Power

Joseph Kinyua
Group Finance Manager
TCL Power

Joseph Kamau
Group Production Manager
TCL Power

John Mugo
Acting Managing Director
Tanelec Limited

INFRASTRUCUTRE PROJECTS DIVISION

Represented by Allan Munyua and Nganga Njiinu

Corporate Governance

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

Statement of Compliance

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

BOARD OF DIRECTORS

The Board consists of the Chairman, Z.G. Mbugua, six non-executive directors and the Chief Executive Officer (CEO), Dr. Gachao Kiuna. The directors' biographies appear on page 8 and 9. All non-executive directors on TransCentury's board are independent of management and have diverse skills, experience and competencies appropriate for effective management of the company's business.

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

The Board nonetheless retains responsibility in maintaining the company's overall internal control on financial, operational and compliance issues. All our directors have 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.

The composition of the board and attendance during the year is as shown below.

MEMBER	ATTENDANCE
Mr. Z. G. Mbugua Chairman	11/11
Dr. G. Kiuna Executive Director	11/11
Mr. P. T. Kanyago Non-executive Director	8/11
Mr. J. Karago Non-executive Director	10/11
Mr. R. Kimotho Non-executive Director	10/11
Ms. C. Musyoka Non-executive Director	7/11
Mr. N. Kirira Non-executive Director	8/11
Mr. N. Kiuna Non-executive Director	9/11
Ms. V. Ndunge Company Secretary	11/11

COMMITTEES OF THE BOARD

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

Audit and Risk Committee

The board has constituted an audit and risk committee which meets at least quarterly. It includes four non-executive directors Carol Musyoka, Peter Kanyago, Robin Kimotho and Ngugi Kiuna and the CEO. Its responsibilities include review of financial information, in particular half year and annual financial statements, compliance with accounting standards, liaison with external auditors, remuneration of external auditors and maintaining oversight on internal control systems. Other responsibilities are to receive and consider the company's annual budget. The committee is guided by a charter from the board which outlines its mandate. The head of finance and group internal auditor are regularly invited.

Corporate Governance *(continued)*

The members of the audit committee, together with a record of their attendance at scheduled meetings during the year are set out below.

MEMBER	ATTENDANCE
Ms. C. Musyoka Chairman	6/6
Dr. G. Kiuna Executive Director	6/6
Mr. N. Kiuna Non-executive Director	4/6
Mr. R. Kimotho Non-executive Director	6/6
Mr. P. Kanyago Non-executive Director	4/6

Strategy and Investment Committee (IC)

Membership of this committee comprises of two non-executive directors Ngugi Kiuna and Zephaniah Gitau Mbugua and the CEO. The divisional principal and divisional manager for power and engineering, and the head of finance are regularly invited.

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

MEMBER	ATTENDANCE
Mr. N. Kiuna Chairman	3/3
Mr. Z. G. Mbugua Non-executive Director	2/3
Dr. G. Kiuna Non-executive Director	3/3

Nominations and Remuneration Committee (NRC)

The committee meets at least quarterly and includes, three non-executive directors Njeru Kirira, Joseph Karago and Zephaniah Gitau Mbugua and the CEO. The main responsibilities of the committee are to nominate TCL and subsidiary companies board members, appointment of TCL and subsidiary CEO's and succession planning. The committee also determines the company's remuneration policy for employees, management and non-executive directors. The committee submits its findings and recommendations at the quarterly board meetings.

The committee's attendance during the year is as shown below.

MEMBER	ATTENDANCE
Mr N. Kirira Chairman	3/4
Mr. J. Karago Non-executive Director	2/4
Mr. Z. G. Mbugua Non-executive Director	2/4
Dr. G. Kiuna Non-executive Director	4/4

COMMUNICATION WITH SHAREHOLDERS

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

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

DIRECTORS EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to the directors for services rendered during this financial year ended 31 December 2014 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.

Corporate Governance *(continued)*

RISK MANAGEMENT CONTROLS

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

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

EMPLOYMENT EQUITY

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

BUSINESS ETHICS

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

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

Principal Shareholders and Distribution of Shareholding

SHARE REGISTER DETAILS

Directors' interests in the shares of the company, the distribution of the Company shareholding and analysis of the ten major shareholders as at 31st December 2014 were as follows:

DIRECTORS' INTEREST

Name of Director	No. of shares	% Shareholding
Zephaniah Gitau Mbugua*	13,278,852	4.74
Peter Tiras Kanyago*	15,679,890	5.59
Robin Munyua Kimotho*	10,851,510	3.87
Joseph Magua Karago	2,218,730	0.79
Ngugi Kiuna	7,843,080	2.80
Job Njeru Kirira	9,449,610	3.37
Total	**59,321,672**	**21.16**

* See the shareholding details below

MAJOR SHAREHOLDERS

Name of Shareholder	No. of shareholders	No of shares held	% Shareholding
Standard Chartered Nominees A/C Ke15615		32,681,794	11.66
Anne Pearl Karimi Gachui		21,253,190	7.58
Michael Gitau Waweru		21,216,380	7.57
Peter Tiras Kanyago*		15,679,890	5.59
Zephaniah Gitau Mbugua*		13,278,852	4.74
Ephraim Kariithi Njogu		12,520,170	4.47
Robin Munyua Kimotho*		10,851,510	3.87
Gath Properties Limited		10,835,100	3.87
Standard Chartered Nominees A/C Ke12424		10,437,800	3.72
Stephen Njoroge Waruhiu		9,862,971	3.52
Sub-Total	**10**	**158,617,657**	**56.59**
Others	**1,466**	**121,666,819**	**43.41**
Total Issued Shares	**1,476**	**280,284,476**	**100.00**

DISTRIBUTION OF SHAREHOLDING

Shares range	No. of shareholders	No. of shares held	% Shareholding
1 - 500	501	111,450	0.04
501 - 5,000	170	5,553,983	1.98
5,001 - 10,000	49	14,516,472	5.18
10,001 - 100,000	121	1,014,900	0.36
100,001 - 1,000,000	603	1,320,074	0.47
Above 1,000,000	32	257,767,597	91.97
Total	**1,476**	**280,284,476**	**100.00**

SHAREHOLDER ANALYSIS BY DOMICILE

Domicile	No. of shareholders	No. of shares held	% shareholding
Local individuals	1,319	195,635,127	69.80
Local institutions	120	26,672,435	9.52
Foreign individuals	21	160,900	0.06
Foreign institutions	16	57,816,014	20.63
Total	**1,476**	**280,284,476**	**100.00**

Chairman's Statement

“ 2014
was a turning point as we took decisive action to refocus our business strategy and reposition the Group for the future.

Dear Stakeholders,

On behalf of the Board of Directors, it is my pleasure to present to you the audited financial statements for the year ended 31st December 2014. The Group's strategic focus continues to be driving value by growing our Power and Engineering Divisions and participating in the development of selective Infrastructure Projects that are synergistic to our operations.

2014 was a turning point as we took decisive action to refocus our business strategy and reposition the Group for the future. The most significant of the actions taken being the decision to exit the investment in Rift Valley Railways ("RVR") due to the delayed turnaround. We anticipated the effect this would have on our financials and advised the members accordingly via a profit warning. We have since deployed the funds towards supporting growth of the Power and Engineering Divisions and executing on other higher return opportunities to maximize on shareholder value.

We are excited about the opportunities that are presenting themselves across the region in power generation, oil and gas, mining and transport infrastructure. To this end we have embarked on initiatives to enhance our capacity, optimize our operations and unlock competitive advantage across our operating divisions. The Board continues to focus on these significant business opportunities to drive growth in the medium to long term across our geographic footprint. As a result of these decisions, we are on track towards restoring the Group's performance in 2015 and highly active in exploiting the growing opportunities in our markets.

The power division through East African Cables has over the last decade solidified its position as a market leader in the East and Central African region through market diversification

Chairman's Statement *(continued)*

and by investing in modern technology. In December 2013, we embarked on a major factory expansion of our copper plant. This project whose scope included erecting a new factory building and installing modern cable making machinery will be fully commissioned in H2 of 2015. Innovation remains high on our agenda and continues to help foster growth through diversification of our product offering across our markets and better engagement with our customers.

The Engineering Division through Civicon continues to pursue a diversified strategy of participating across the key growth sectors such as Power Generation, Transportation, Urban and Industrial Development, Oil & Gas and Mining. The potential in these sectors is large as the forecast level of economic growth across the region will undoubtedly be investment led. Our Engineering Division has positioned itself to take advantage of the emerging opportunities by building strategic relationships with strong Joint Venture partners in order to become the leading local provider of engineering and contracting services in the region.

Overview of the Business Environment

The Kenyan economy remained fairly resilient in 2014 recording a GDP growth rate of 5.3% compared to 5.7% in 2013. The economy is expected to grow at average of 6% in the next two years. To sustain this level of growth the Government's implementation of policies to deal with emerging issues that are exerting pressure on the economy such as counterfeit products, insecurity and implementation of devolution will be key to maintaining the existing momentum. The Kenyan shilling weakened against most major currencies towards the close of the year with the commercial banks' average lending rate stabilizing at 15.99 % in December 2014.

In Tanzania, the GDP growth rate remained steady at 7% in 2014 supported by ongoing investments in roads, electricity and oil & gas. Plans are underway to further expand natural gas reserves for power generation and other industrial applications.

The Ugandan economy also recorded a robust growth rate of 6.3% in 2014. Uganda is expected to maintain an upward trajectory driven by oil investments (as the country strives to achieve commercial production of its oil reserves) and large infrastructure programs (boosting construction activities locally).

On the global scene, the volatility in the metal industry saw the market prices for our primary raw materials copper and aluminium decrease by 13% and 8% respectively. This will make our products more affordable resulting in higher demand.

> **"Our Engineering Division has positioned itself to take advantage of the emerging opportunities**

Overview Group Performance

The Group recorded a revenue of KES 10.2bn and a net loss of KES 2.3bn. The financial performance was adversely affected by a 36% drop in the revenue of the Engineering Division due to a number of delayed projects which have since commenced in Q1 2015. Despite a notable reduction of 13% in the London Metal Exchange (LME) copper prices, the Power Division recorded a 7% growth in revenue attributed to increased volumes driven by new markets.

The sale of the stake in Rift Valley Railways (RVR) significantly contributed to the loss in 2014. The Group through its wholly owned subsidiary, Safari Rail Company Limited ("Safari Rail"), disposed of its entire 34% shareholding in KU Railways Holdings Limited ("KURH") on 31st March 2014 by exercising a PUT Option as this investment failed to meet return targets set by the Group. The Group realised USD 43.7m (KES 3.8bn) from the sale, which saw it recover its entire cash investment in RVR. The funds have since been redeployed towards debt reduction and growth capital in our existing Power and Engineering Divisions.

Events after the Reporting Period

In line with the overall Group strategy of consolidating its core businesses and maximizing the value of investments for shareholders, I am happy to announce that on 30 January 2015, the Group through its wholly owned subsidiary, TC Engineering & Contracting Limited ("TCEC"), completed the acquisition of additional 16% shareholding in Civicon Africa Group Limited (CAGL), the holding company for the Civicon group of companies. The minority shareholders, Alacrity Limited, who held 38% of the Civicon business offered to sell to the Group an additional 16% of their entire shareholding in CAGL through exercising a Put Option pursuant to the agreement entered into by the shareholders in 2012 during the acquisition of the business.

This transaction provides the Group with an opportunity to maximise the significant upside that Civicon presents as an Engineering and Construction company with a strong track record for delivering large projects as a leading player in the construction sector in East and Central Africa. As a result of the acquisition, the Group has increased its shareholding in Civicon African Group Limited (CAGL) from 62% to 78%.

Outlook

The Group continues to focus on growing its Operating Divisions and developing selective infrastructure projects which are synergistic to its operations. The business outlook is positive with growth prospects in both domestic and regional markets including major infrastructure projects both ongoing and planned across the region. The Group has secured a strong pipeline of infrastructure projects and together with an improved cost base forecasts a return to profitability in 2015. To minimize execution risk, the Group continues to focus on building strategic relationships with key technical partners, who have a strong track record for delivering similar infrastructure projects internationally. The key areas of opportunity include:

Chairman's Statement *(continued)*

- ***Power Infrastructure:*** Significant growth is expected from on-going programs by utilities throughout the region to rehabilitate existing grids, increase new connections and augment power generation. The enforcement of the Government's policy on local sourcing of key products in the power sector from local manufacturers remains key. Our expanded and modernized plant in Kenya will be fully commissioned by H2 of 2015 and will provide additional capacity and flexibility to offer a wide product range to cover the Eastern and Central African region. The development of additional Power Generation capacity is a significant opportunity as the Group looks to develop new Power Plants in 2015 (e.g. Menengai Geothermal Power Plant in Kenya).
- ***Transport Infrastructure:*** The increasing level of Government and private participation in infrastructure projects to support growth in the transportation sector such as the 10,000 km annuity financed road program in Kenya, where the Group was recently shortlisted as the preferred bidder for lot 1 of the annuity roads program is a major opportunity for the Group.
- ***Oil and Gas Infrastructure:*** The discovery of natural resources such as on-shore oil in Northern Kenya and the large gas deposits in Southern Tanzania is creating significant opportunities as the Group continues to serve its oil and gas clients on their infrastructure needs.
- ***Mining Infrastructure:*** The development of the nascent mining sector leading to new mine builds in East, Central and Southern Africa region continues to be an area of growth for the Group, particularly in the Democratic Republic of Congo ("DRC") and Kenya.

With the above opportunities and others under discussion, we look forward to strengthening the financial performance and returning the company to profitability in 2015.

Appreciation

I would like to thank all the investors of TransCentury for the continued support throughout the year. To my fellow directors, I say thank you for your continued dedication towards achievement of the Group's objectives. I would also like to thank our stakeholders including business partners and customers for their support during 2014 and, above all, to our employees for their hard work and ongoing commitment to TransCentury Group.

Zephaniah G. Mbugua
Chairman of the Board

Chief Executive's Statement

Dear Investors,

2014 was a historic year for the Group, which resulted in TransCentury making an operating loss for the first time in its 18 year history. We are acutely aware of the impact of this to our shareholders as we made the bold decision to exit from RVR, which impacted negatively on our performance but has allowed us to redeploy significant capital recovered from the investment towards kick starting our new growth strategy.

As part of our growth strategy this year, the KES 3.8 billion realised from the sale of our 34% stake in Rift Valley Railways ("RVR") was redeployed towards debt reduction and growth capital for our Power and Engineering divisions. The growth capital has been invested in capacity expansion programs (including machinery modernization across the various plants in Kenya, Tanzania, Zambia and South Africa) and acquisition of an additional 16% stake in our engineering business. With this focus, the Group is now set to enjoy increased capacity and higher production efficiencies leading to better margins and robust revenue growth in our Power division and utilize our leading role in Engineering and Construction to be centre stage in the development of infrastructure projects across the region.

"

The Group continues to focus on its key strategy of infrastructure investment across three key divisions

The Group continues to focus on its key strategy of infrastructure investment across three key divisions, namely (1) Power Infrastructure (2) Engineering and Construction and (3) Infrastructure Projects. In order to realise the revenue and cost synergies that exist between our businesses, we have completed a corporate re-organization that has seen our subsidiaries restructured as follows:

- *TCL Power Division* which is involved in manufacturing of electrical cables, distribution and transmission equipment operating through 8 factories across East, Central and Southern Africa operating under one common umbrella and managed centrally by our experienced C-level management team based in Kenya
- *TC Engineering Division* focusing on mechanical and civil engineering with a presence across East and Central Africa targeting high growth areas such as Power Generation, Transportation, Mining and Oil and Gas. Similarly all operations have now been consolidated under one common management system and are now controlled centrally by our experienced C-level management team based in Mombasa

Chief Executive's Statement *(continued)*

- *TC Infrastructure Projects Division* that is focusing on critical energy and transport infrastructure projects to support key pillars of the domestic and export economy in partnership with key technical partners. This division is managed by the TransCentury Group Management team working closely with our TCL Power and TC Engineering Management teams leading our operating companies to ensure that synergies which exist across our businesses are fully tapped

In 2014, the Power Division benefited from a higher level of integration with various cable and transformer manufacturing plants across East, Central and Southern Africa being run by a common management team under our new TCL Power Division. Cost rationalisation, economies of scale benefits, commercial synergies and improved oversight are proving to be a significant contributor towards improved earnings and turnaround of our brown field operations. The Division delivered robust results for the year reporting a 7% growth in revenue attributed to increased volumes driven by new markets, despite a significant reduction in London Metal Exchange (LME) prices of copper and aluminum. The new markets present significant opportunities for growth albeit our brown field operations were not profitable in 2015. However, we expect to see continued growth in 2015 and contribution to earnings by 2016. Development of these new markets will drive volume growth resulting in higher revenues and savings from economies of scale benefits thereby delivering increased contribution to the Group's earnings.

In December 2013, we embarked on a major factory expansion of one of our backbone copper factory in Kenya. This project whose scope included erecting a new factory building and installing modern cable making machinery is nearing completion and will be fully operational by the end of H2 of 2015. This expanded and modernized plant will provide additional capacity and flexibility to offer a wide product range to cover the Eastern and Central African region. Significant growth is also expected from on-going programs by utilities throughout the region to rehabilitate existing grids, increase new connections and augment power generation. The enforcement of the Government's policy on local sourcing of key products in the power sector from local manufacturers remains key. The development of additional Power Generation capacity is a significant opportunity as the Group looks to develop new Power Plants in 2015 (e.g. Menengai Geothermal Power Plant in Kenya) alongside Ormat Technologies (New York listed Global Geothermal Power company) and Symbion Power LLC (US Power Africa Power Plant Developer).

> **"On working with the community around the businesses, we recently launched a strategic CSR program in support of Technical Training across the region.**

The Engineering Division continues to be a key player in infrastructure projects across the region particularly in Oil and Gas, Mining, Power and Transport Infrastructure. The Division has now secured a strong pipeline of projects, totaling more than KES 20 billion to date, that will see a turnaround and growth of revenue in 2015 and 2016. Civicon, the main subsidiary in this Division is currently working on a number of projects that include the Lake Turkana Wind Power Project, as the civil engineering contractor. The company has also been awarded a turnkey project to erect an aluminum cans manufacturing plant in Kenya, which will be commissioned in the second quarter of 2015. Civicon was also recently shortlisted as the preferred bidder for lot 1 of the annuity roads program in Kenya along with its technical partner Eiffage Grand Traveaux, a leading European construction and concession holding company operating over 2,000km of toll roads globally.

The introduction of the Infrastructure Projects Division is expected to further fuel the Group's growth. This Division features an active pipeline of high return infrastructure projects in partnership with key technical partners and Governments. Such projects, which have a cumulative value of up to KES 50 billion, will include power generation, oil pipelines and toll roads over the next three years. Some of the green field infrastructure projects under the new Division include a 35MW Geothermal Power Plant in Menengai, Kenya under the Orpower 22 consortium. We have already secured the Project Implementation and Steam Supply Agreement (PISSA) with the Geothermal Development Company (GDC) and a 25 year Power Purchase Agreement (PPA) with Kenya Power.

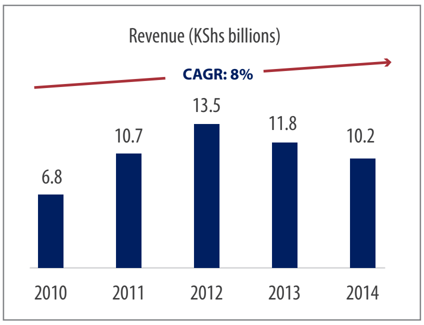
On working with the community around the businesses, we recently launched a strategic CSR program in support of Technical Training across the region. The program dubbed TransCentury Technical Training Program ("TTTP") will offer scholarships to technical students in key institutions within fields such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

Group Performance

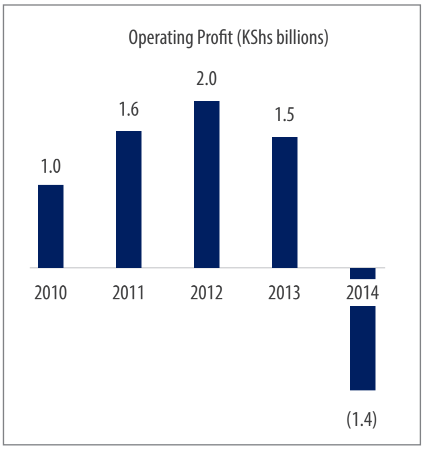
The Group recorded a 13% decline in its revenues in 2014 attributable to a number of delayed projects in the Engineering Division that have since commenced in Q1 2015. The Group posted a KES 2.3 billion loss resulting

Chief Executive's Statement *(continued)*

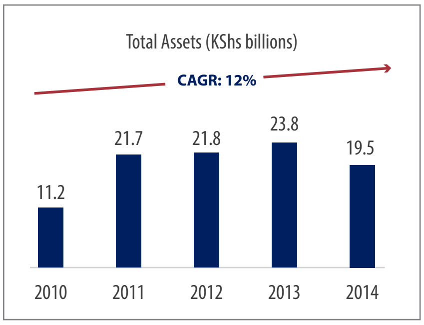
from a fair value loss incurred following its exit from Rift Valley Railways ("RVR"). The Group revenues surpassed the KES 10 billion mark in 2011 and since then have continued on an upward trajectory with a five year Compound Annual Growth Rate (CAGR) of 8% as at December 2014. In 2014 however, the revenue decreased by 13% driven by delayed projects in the Engineering Division.



As a result of a decrease in revenue in the Engineering Division and the loss on investment in RVR sale amounting to KES 1 billion, the operating profits of the Group decreased significantly to a loss of KES 1.4 billion in 2014.



The Group's total assets have grown tremendously in the past five years with total assets amounting to KES 19 billion as at 31 December 2014 and recording a CAGR of 12% for the last 5 years. The decrease in total assets amounting to KES 5 billion during the year is as a result of the disposal of the investment in RVR on 31st March 2014.



Performance by Division

POWER

Power: Financial Performance

The Division recorded a 7% growth in revenue from KES 6.3 billion in 2013 to KES 6.7 billion in 2014 which is attributed to increased volumes driven by new markets. The volatility in the metal industry saw the market prices for our primary raw materials copper and aluminium decrease by 13% and 8% respectively. In the long term the reduced metal prices should lead to lower costs of construction and power line developments thereby growing volumes for the business and increasing the revenues.

In 2014, the Division invested KShs 1.1 billion in capital expenditure compared to KShs 280 million in 2013. The bulk of this capital expenditure was incurred in our cable manufacturing plant in Kenya which will increase the annual copper capacity from the current 3600 MT to 7200 MT. The expanded and modernized plant will be fully commissioned in H2 of 2015 and will provide flexibility to offer a wide product range to cover the Eastern and Central African region.

Power: Growth Opportunities

The key areas of opportunity for our Power business include:

- Significant growth is expected from on-going programs by utilities throughout the region to rehabilitate existing grids, increase new connections and augment power generation through geothermal, wind, coal and gas.
- The focus by the utilities, Governments and Development Finance Institutions (DFI's) across the region, to provide rural communities with access to electricity.
- Significant market potential given the historical low levels of access to electricity, with most Sub-Saharan countries reporting access of less than 20% of the population and per capita consumption of less than 200kWh, compared to European Union's 3.500 kWh.
- Growth of urban areas, organically and through rural-urban migration will increase the demand for connection to power, where the grids were concentrated historically.
- The enforcement of the Government's policy on local sourcing of key products in the power sector from local manufacturers remains key.
- Our expanded and modernized plants will provide additional capacity and flexibility to offer a wide product range to cover the Eastern and Central African region.

ENGINEERING

Engineering: Financial Performance

2014 was a disappointing year for the Engineering Division and our performance was depressed by delayed projects in our pipeline, which have since commenced in Q1 of 2015. Revenues decreased by 36% from KES 5.6 billion in 2013 to KES 3.6 billion in 2014. As a result the division recorded an operating loss of KES 198 million compared to operating profit of KES 688 million recorded in 2013.

During the year, the division invested KES 148 million compared to KES 350 million in 2013 which was utilised to acquire of heavy equipment to support projects in the region. The reduced capital expenditure is attributed to large capital investment in heavy equipment made in 2012 and 2013 which we continue to utilize in the current projects.

Chief Executive's Statement *(continued)*

Engineering: Growth Opportunities

The future growth opportunities in Engineering Division is driven by:

Expansion of power generation capacity and transmission networks in line with long term and medium Government strategic plans such as Vision 2030 in Kenya.Government and private infrastructure projects to support growth in the energy and transportation sectors such as the 10,000 km annuity financed road project in Kenya.Development of the oil & gas sector. The discovery of natural resources such as on-shore oil in Northern Kenya and the large gas deposits in Southern Tanzania is creating significant opportunities as the Group continues to serve its oil and gas clients on their infrastructure needs.Discovery of natural resources such as the large gas deposits in Southern Tanzania and the development of the mining sector leading to new mines builds in East, Central and Southern Africa region continues to be an area of growth for the Group, particularly in the Democratic Republic of Congo ("DRC") and Kenya. Focus on building strategic relationship with key technical partners, who have a strong track record for delivering similar infrastructure projects internationally.

Appreciation

I would like to extend my appreciation to all the investors of TransCentury for their continued support throughout the year. I would also like to thank the Board of Directors for their guidance and strategic support. To our dedicated management team and staff across all our divisions, I am truly impressed by your hard work towards attainment of the Group's new Growth Strategy, which is well underway and highly promising based on the progress made in 2015. Lastly, I wish to thank our clients and our partners, many of whom have held long term relationships with the Group, which we look forward to maintaining and nurturing.

I look forward to working together with our new technical partners as we scale greater heights towards our set objectives and targets for the Group's growth plan over the next few years.

Yours Sincerely,

Dr. Gachao Kiuna
Chief Executive Officer

Corporate Social Responsibility

Kiambu Institute of Science and Technology (KIST) students posing with certificates

In keeping with TransCentury Group core values that include upholding equal opportunity to all, TransCentury has rolled out key initiatives aimed at providing sustainable enhancement of skill, youth empowernment and support of the community at large.

Technical Training Program

The group in conjunction with Technical, Vocational Educational Training Institutes (TVETS) launched a Technical Skill Enhancement Program aimed at;

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

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

In the first year of its launch TransCentury has partnered with four institutions namely Kiambu Institute of Science and Technology (KIST) , Rift Valley Institute of Science and Technology (RVTTI), Eldoret Polytechnic and Mombasa Technical College. The four institution were picked strategically due to their proximity to the Oil and Gas exploration efforts in the North, renewable energy power plants in Nakuru, Mombasa and Naivasha, sectors that are growing rapidly in the country and that require skilled workforce.

Fundi Bora Club

Through its Power Division, the company continued to support skilled labour and has been running a successful Electricians Club – Fundi Bora Club – whose aim is to upskill the existing electricians in the market. The program has been running for the last 4 years and has seen over 1500 electricians participate in the annual workshops as well as get accreditation from the power division of TransCentury.

Working with the Community

Being cognizant of the needs the community in which TransCentury Group operates in, the company has been supporting other noble causes that include the Chase Bank foundation walk aimed at raising funds to train midwives in the country and subsequently lower maternal deaths. The drive targets to train 15,000 midwives countrywide by 2016.

Report of the Directors

The directors have pleasure in submitting their report together with the audited group annual financial statements for the year ended 31 December 2014, which disclose the state of affairs of the company and the group.

1. **Activities**

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

2. **Results**

   The results for the year are set out on pages 27 and 28.

3. **Dividends**

   The directors do not recommend the payment of a dividend (2013 – KShs 0.40 per share; KShs 109,580,114).

4. **Directors**

   The directors of the company who served since 1 January 2014 are set out on pages 8 and 9.

5. **Auditors**

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

6. **Approval of financial statements**

   The financial statements were approved at a meeting of the directors held on 23 April 2015.

BY ORDER OF THE BOARD

Virginia Ndunge
Secretary

Date: 23 April 2015

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the consolidated and company financial statements of TransCentury Limited set out on pages 27 to 89 which comprise the consolidated and company statements of financial position at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in compliance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of the group operating results.

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

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

Approval of the financial statements

The consolidated and company financial statements, as indicated above, were approved by the Board of Directors on 23 April 2015 and were signed on its behalf by:

Director

Director

Date: 23 April 2015

Report of the Independent Auditors

TO THE MEMBERS OF TRANSCENTURY LIMITED

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

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

We have audited the financial statements of TransCentury Limited set out on pages 27 to 89 which comprise the consolidated and company statements of financial position at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As stated on page 25, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of consolidated and company financial position of TransCentury Limited at 31 December 2014, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii. In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii. The statement of financial position of the company is in agreement with the books of account.

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

KPMG Kenya

Date: 23 April 2015

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 KShs'000	2013 KShs'000
Revenue	5(a)	10,249,593	11,807,576
Cost of sales	5(c)	(7,668,666)	(8,248,302)
Gross profit		**2,580,927**	**3,559,274**
Other income	5(b)	285,276	1,208,111
Operating expenses	5(c)	(2,556,420)	(2,509,021)
Loss on sale of investment	27	(1,035,015)	-
(Loss)/profit before depreciation and finance costs		**(725,232)**	**2,258,364**
Depreciation and amortisation	6	(679,365)	(723,315)
Results from operating activities	6	**(1,404,597)**	**1,535,049**
Finance income	7	47,111	59,166
Finance costs	7	(756,716)	(735,625)
Net finance costs		**(709,605)**	**(676,459)**
(Loss)/profit before income tax		**(2,114,202)**	**858,590**
Income tax expense	8(a)	(163,727)	(232,158)
(Loss)/profit for the year		**(2,277,929)**	**626,432**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	9	77,140	-
Revaluation of prepaid operating lease rentals	11	-	268,161
Related tax	8(a)	17,715	(81,716)
		94,855	**186,445**
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		90,626	42,594
Exchange differences on translation of foreign subsidiaries		109,875	(63,058)
		200,501	**(20,464)**
Other comprehensive income net of income tax		**295,356**	**165,981**
Total comprehensive income for the year		**(1,982,573)**	**792,413**

The notes set out on pages 36 to 89 form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

	Note	2014 KShs'000	2013 KShs'000
(Loss)/profit after tax is attributable to:			
Equity holders of the company		(2,362,677)	291,295
Non-controlling interest		84,748	335,137
(Loss)/profit for the year		**(2,277,929)**	**626,432**
Total comprehensive income for the year attributable to:			
Equity holders of the company		(2,069,737)	404,017
Non-controlling interest		87,164	388,396
Total comprehensive income for the year		**(1,982,573)**	**792,413**
BASIC EARNINGS PER SHARE - (KShs)	**21(a)**	**(8.53)**	**1.06**
DILUTED EARNINGS PER SHARE - (KShs)	**21(a)**	**(8.53)**	**1.06**

The notes set out on pages 36 to 89 form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

ASSETS	Note	2014 KShs'000	2013 KShs'000
Non-current assets			
Property, plant and equipment	9	7,363,528	6,630,211
Investment property	10	348,298	282,868
Prepaid operating lease rentals	11	432,406	446,703
Intangible assets	12	2,539,117	2,457,864
Quoted investments	13(a)	301	316
Unquoted investments	13(b)	539,353	5,237,133
Deferred tax asset	23(a)	5,992	944
		11,228,995	15,056,039
Current assets			
Inventory	15	1,860,008	1,540,428
Trade and other receivables	16	5,886,588	6,843,673
Tax receivable	8(d)	194,804	38,938
Cash and cash equivalents	17	293,263	361,195
		8,234,663	8,784,234
TOTAL ASSETS		**19,463,658**	**23,840,273**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 31 - 32)			
Share capital	18	140,142	136,975
Share premium	19	565,101	379,717
Revenue reserves	20(a)	1,278,346	3,286,015
Translation reserve	20(b)	249,935	112,139
Available-for-sale reserve	20(c)	330,813	240,187
Revaluation reserve	20(d)	994,385	932,787
Proposed dividends	21(b)	-	109,580
Total equity attributable to equity holders of the company		**3,558,722**	**5,197,400**
Non-controlling interest	13(d)	2,536,003	2,888,986
Convertible bond	22	5,386,973	5,132,002
Total equity		**11,481,698**	**13,218,388**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	23(b)	962,155	884,418
Liability for staff gratuity		59,148	43,673
Long term loan – non-current portion	24	1,797,704	3,786,665
		2,819,007	4,714,756
Current liabilities			
Bank overdraft	17	748,023	491,348
Long term loan – current portion	24	1,725,750	1,833,357
Trade and other payables	25	2,669,275	3,562,072
Tax payable	8(d)	19,661	20,108
Unclaimed dividends		244	244
		5,162,953	5,907,129
Total liabilities		**7,981,960**	**10,621,885**
TOTAL EQUITY AND LIABILITIES		**19,463,658**	**23,840,273**

The financial statements on pages 27 to 89 were approved by the Board of Directors on 23 April 2015 and were signed on its behalf by:

Director: ______________________________ Director: ______________________________

The notes set out on pages 36 to 89 form an integral part of these financial statements.

Company Statement of Financial Position

AS AT 31 DECEMBER 2014

ASSETS	Note	2014 KShs'000	2013 KShs'000
Non-current assets			
Property, plant and equipment	9	9,257	4,866
Quoted investments	13(a)	301	316
Unquoted investments	13(b)	432,184	341,543
Investment in subsidiaries	13(c)	9,382,670	10,727,600
Loans to subsidiaries	14	718,195	500,197
Deferred tax asset	23(a)	907	944
		10,543,514	11,575,466
Current assets			
Trade and other receivables	16	1,074,850	1,678,540
Tax receivables	8(d)	5,403	4,329
Cash and bank balances	17	9,775	30,096
		1,090,028	1,712,965
TOTAL ASSETS		**11,633,542**	**13,288,431**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 33 - 34)			
Share capital	18	140,142	136,975
Share premium	19	565,101	379,717
Revenue reserves	20(a)	163,211	114,563
Available-for-sale reserve	20(c)	8,054,086	9,496,942
Proposed dividends	21(b)	-	109,580
Total equity		**8,922,540**	**10,237,777**
Non-current liabilities			
Long term loan – non-current portion	24	847,907	2,388,031
Current liabilities			
Long term loan – current portion	24	576,073	576,073
Trade and other payables	25	1,286,778	86,306
Unclaimed dividends		244	244
		1,863,095	662,623
Total liabilities		**2,711,002**	**3,050,654**
TOTAL EQUITY AND LIABILITIES		**11,633,542**	**13,288,431**

The financial statements on pages 27 to 89 were approved by the Board of Directors on 23 April 2015 and were signed on its behalf by:

Director: ______________________________ Director: ______________________________

The notes set out on pages 36 to 89 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

2014:	Share capital KShs '000	Share premium KShs '000	Revaluation reserves KShs '000	Translation reserve KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs '000	Total equity KShs'000
Balance at 1 January 2014	136,975	379,717	932,787	112,139	240,187	3,286,015	109,580	5,197,400	2,888,986	8,086,386
Total comprehensive income for the year net of tax										
Net profit after tax	-	-	-	-	-	(2,362,677)	-	(2,362,677)	84,748	(2,277,929)
Other comprehensive income										
Revaluation of property, plant and equipment net of deferred tax	-	-	77,140	-	-	-	-	77,140	-	77,140
Transfer to deferred tax	-	-	5,920	-	-	-	-	5,920	11,795	17,715
Exchange adjustment	-	-	-	122,394	-	-	-	122,394	(12,519)	109,875
Net change in fair value of available-for-sale financial assets	-	-	-	-	90,626	-	-	90,626	-	90,626
Transfer from translation reserves	-	-	(58,599)	16,289	-	42,310	-	-	-	-
Transfer from NCI	-	-	37,137	(887)	-	312,698	-	348,948	(348,948)	-
Total other comprehensive income	**-**	**-**	**61,598**	**137,796**	**90,626**	**355,008**	**-**	**645,028**	**(349,672)**	**295,356**
Total comprehensive income	**-**	**-**	**61,598**	**137,796**	**90,626**	**(2,007,669)**	**-**	**(1,717,649)**	**(264,924)**	**(1,982,573)**
Transactions with owners of the company										
Contributions and distributions										
Issue of additional shares	3,167	185,384	-	-	-	-	-	188,551	-	188,551
Dividend paid	-	-	-	-	-	-	(109,580)	(109,580)	(88,059)	(197,639)
Proposed dividends	-	-	-	-	-	-	-	-	-	-
Total transactions with owners of the company	**3,167**	**185,384**	**-**	**-**	**-**	**-**	**(109,580)**	**78,971**	**(88,059)**	**(9,088)**
Balance at 31 December 2014	**140,142**	**565,101**	**994,385**	**249,935**	**330,813**	**1,278,346**	**-**	**3,558,722**	**2,536,003**	**6,094,725**

The notes set out on pages 36 to 89 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

2013:	Share capital KShs '000	Share premium KShs '000	Revaluation reserves KShs '000	Translation reserve KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs '000	Total equity KShs'000
Balance at 1 January 2013	136,975	379,717	793,778	182,489	197,593	3,102,831	109,580	4,902,963	2,591,078	7,494,041
Total comprehensive income										
for the year net of tax										
Net profit after tax	-	-	-	-	-	291,295	-	291,295	335,137	626,432
Other comprehensive income										
Revaluation of property, plant and										
equipment net of deferred tax	-	-	130,512	-	-	-	-	130,512	55,933	186,445
Exchange adjustment	-	-	-	(63,176)	-	-	-	(63,176)	118	(63,058)
Net change in fair value of										
available-for-sale financial assets	-	-	-	-	42,594	-	-	42,594	-	42,594
Transfer to revaluation reserve	-	-	8,497	-	-	(8,497)	-	-	-	-
Transfer from translation reserves	-	-	-	(7,174)	-	9,966	-	2,792	(2,792)	-
Total other comprehensive income	**-**	**-**	**139,009**	**(70,350)**	**42,594**	**1,469**	**-**	**112,722**	**53,259**	**165,981**
Total comprehensive income	**-**	**-**	**139,009**	**(70,350)**	**42,594**	**292,764**	**-**	**404,017**	**388,396**	**792,413**
Transactions with owners of the company										
Contributions and distributions										
Dividend paid	-	-	-	-	-	-	(109,580)	(109,580)	(90,488)	(200,068)
Proposed dividends	-	-	-	-	-	(109,580)	109,580	-	-	-
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**(109,580)**	**-**	**(109,580)**	**(90,488)**	**(200,068)**
Balance at 31 December 2013	**136,975**	**379,717**	**932,787**	**112,139**	**240,187**	**3,286,015**	**109,580**	**5,197,400**	**2,888,986**	**8,086,386**

The notes set out on pages 36 to 89 form an integral part of the financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

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

The notes set out on pages 36 to 89 form an integral part of the financial statements.

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

2013:	Share capital KShs '000	Share premium KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Proposed dividends KShs'000	Total KShs'000
Balance at 1 January 2013	136,975	379,717	7,865,416	342,436	109,580	8,834,124
Total comprehensive income for the year net of tax						
Loss for the year	-	-	-	(118,293)	-	(118,293)
Other comprehensive income for the year						
Net change in fair value of available-for-sale financial assets	-	-	1,677,309	-	-	1,677,309
Available-for-sale reserve released on disposal of						
Funds of funds investments	-	-	(45,783)	-	-	(45,783)
Total other comprehensive expense	**-**	**-**	**1,631,526**	**-**	**-**	**1,631,526**
Total comprehensive income	**-**	**-**	**1,631,526**	**(118,293)**	**-**	**1,513,233**
Transactions with owners of the company						
Contributions and distributions						
New shares issued during the year	-	-	-	-	-	-
Dividend paid	-	-	-	-	(109,580)	(109,580)
Proposed dividends	-	-	-	(109,580)	109,580	-
Total transactions with owners of the company	**-**	**-**	**-**	**(109,580)**	**-**	**(109,580)**
Balance as at 31 December 2013	**136,975**	**379,717**	**9,496,942**	**114,563**	**109,580**	**10,237,777**

The notes set out on pages 36 to 89 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 KShs'000	2013 KShs'000
Net cash flows from operating activities			
(Loss)/profit before taxation		(2,114,202)	858,590
Adjustment for non-cash items		2,195,450	1,224,027
Operating profit before working capital changes		**81,248**	**2,082,617**
Decrease/(increase) in trade and other receivables		957,085	(1,239,972)
(Increase)/decrease in inventories		(319,580)	53,113
Decrease in Aureos Fund - Other member		-	(34,930)
Decrease in trade and other payables		(892,795)	(321,414)
Increase in provision for staff gratuity		15,475	9,271
Cash (used in)/generated from operations		**(158,567)**	**548,685**
Income tax paid		(212,853)	(418,576)
Dividends paid to shareholders of the company		(109,580)	(109,580)
Dividend paid to non-controlling interest		(88,059)	(90,488)
Net cash flows used in operating activities		**(569,059)**	**(69,959)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1,340,955)	(633,840)
Purchase of intangible assets	12(a)	(6,366)	-
Investments in subsidiaries, funds and other investments		-	(915,337)
Proceeds from disposal of investments		3,758,811	279,579
Proceeds from disposal of property, plant and equipment		35,753	3,965
Net cash flows generated from/(used in) investing activities		**2,447,243**	**(1,265,633)**
Cash flows from financing activities			
Proceeds from loans and borrowing	24	3,736,802	5,903,127
Repayment of loans and borrowing	24	(5,833,370)	(4,860,232)
Net proceeds from issue of convertible bond	22	-	517,858
Interest paid on convertible bond	22	(294,774)	(294,325)
Issuing new capital	18 & 19	188,551	-
Net cash flows (used in)/generated from financing activities		**(2,202,791)**	**1,266,428**
Net decrease in cash and cash equivalents		**(324,607)**	**(69,164)**
Cash and cash equivalents at the end of the year	17	(454,760)	(130,153)
Cash and cash equivalents at the beginning of the year	17	(130,153)	(60,989)
Net decrease in cash and cash equivalents		**(324,607)**	**(69,164)**

The notes set out on pages 36 to 89 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

TransCentury Limited is a limited liability company incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The consolidated financial statements of the company as at and for the year ended 31 December 2014 comprise the company and its subsidiaries (together referred to as the "Group"). The address of its registered office is as follows:

7th Floor, Longonot Place
Kijabe Street
P.O. Box 42334
00100 Nairobi GPO

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

2. BASIS OF PREPARATION AND ACCOUNTING

(a) Statement of compliance

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

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of judgments and estimates

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

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING (Continued)

(d) Use of estimates and judgments (continued)

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

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

(i) Consolidation

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

(ii) Lease classification

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

(iii) Employee benefits

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

(iv) Taxation

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

(vi) Recognition and measurement of contingencies

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

(e) Measurement of fair values

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

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

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:

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION AND ACCOUNTING (Continued)

(e) Measurement of fair values (continued)

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

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

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

Valuation of unquoted investments and subsidiaries

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

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

Valuation of quoted investments

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

Valuation of investment property

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

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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue income recognition

(i) Goods sold and services

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

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

The revenue is stated net of Value Added Tax (VAT).

(ii) Dividends

Dividend income is recognised in the statement of comprehensive income on the date that the Group's right to receive payment is established.

(iii) Interest on deposits with financial institutions

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

(iv) Discount on treasury bills

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

(b) Basis of consolidation

(i) Business combinations

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

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(i) Business combinations - continued

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

(ii) Subsidiaries

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

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

Subsidiary	Country of incorporation	2014 %	2013 %
Cable Holdings (Kenya) Limited	Kenya	100.0	94.8
East African Cables Limited	Kenya	68.4	64.3
East African Cables Tanzania Limited	Tanzania	35.2	32.8
AEA Limited (formerly Avery East Africa Limited)	Kenya	94.4	94.4
TransCentury Holdings Proprietary Limited	South Africa	100.0	100.0
Tanelec Limited	Tanzania	70.0	70.0
Crystal Limited	Tanzania	100.0	100.0
TC Mauritius Holdings Limited	Mauritius	100.0	100.0
Cable Holdings Mauritius Limited	Mauritius	100.0	100.0
TC Engineering and Contracting Limited	Mauritius	100.0	100.0
TC Railway Holdings Limited	Mauritius	100.0	100.0
Safari Rail Company Limited	Mauritius	100.0	100.0
Civicon Africa Group Limited*	Mauritius	62.0	62.0
Civicon DRC Holdings Limited	Mauritius	100.0	69.6
Cableries du Congo S.A.R.L	Democratic Republic of Congo	100.0	100.0

* Refer to note 32 for events after the reporting period affecting this subsidiary.

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

(iii) Non-controlling interests

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

(iv) Venture capital

Investment in Rift Valley Railways Investments Pty Limited ("RVR") has been accounted for as a financial asset with its fair value gains/losses being recognised in profit or loss in the period in which they occur. The investment in RVR is held through Safari Rail Company Limited, a company incorporated in Mauritius.

Refer to Note 13(b) for 2014 events affecting the investment in RVR.

(v) 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.

(vi) Loss of control

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

(c) Translation of foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Kenya Shillings at exchange rates at the reporting date. Foreign currency differences are recognised directly in equity.

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Items of property, plant and equipment are stated initially at historical cost and subsequently at historical costs, in the case of heavy commercial vehicles, or valuation, less accumulated depreciation and impairment.

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

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure is only capitalised when it is probable that the future economic associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

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

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

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

(e) Investment property

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

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

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

(f) Operating leases

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Inventories

Cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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) Trade and other receivables

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

(j) Employee benefits

(i) Defined contribution plans

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

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

(ii) Staff gratuity

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

(iii) Leave accrual

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

(iv) Termination benefits

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation

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

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

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

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

(l) Cash and cash equivalents

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

(m) Related party transactions

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

(n) 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.

(o) Financial instruments

(i) Classification

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

(i) Classification– continued

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

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

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

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

(ii) Recognition

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

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

(iii) Measurement

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

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

(iii) Measurement – continued

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

(iv) Offsetting

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

(v) Derecognition

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

(p) Intangible assets

(i) Goodwill/Premium on acquisition

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

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

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

(ii) Computer software

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

(iii) Brand

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(r) Comparatives

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

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

(i) Adoption of new standards or amendments effective for the period ended 31 December 2014

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
• Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
• Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013	1 January 2014
• Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21 Levies (2013)	1 January 2014

The impact of relevant new and amended standards and interpretations on the financial statements for the period ended 31 December 2014 is as below:

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The Group has considered the provisions of these amendments in the preparation of the Group's Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Adoption of new standards or amendments effective for the period ended 31 December 2014 – continued

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities - continued

The Group reassessed its control conclusions as of 1 January 2014. Following the assessment, there was no impact on the Group Financial Statements.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendments reverse the unintended requirement in *IFRS 13 Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. Consequently, the Group has expanded its disclosure of recoverable amounts when they are based on fair value less costs of disposals and assessed any impairment.

Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (June 2013)

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met.

The amendment did not have an impact on the Group's financial statements.

IFRIC 21: Levies (2013)

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.
The amendment did not have an impact on the Group's financial statements.

(ii) New standards and amendments issued but not yet adopted

New standard or amendments	Effective for annual periods beginning on or after
• Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New standards and amendments issued but not yet adopted - continued

New standard or amendments	Effective for annual periods beginning on or after
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2017
• IFRS 9 Financial Instruments (2014)	1 January 2018

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

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are: set out in the formal terms of the plan; linked to service; and independent of the number of years of service.

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

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of IAS 19.

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

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of IFRS 10 and IAS 28.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New standards and amendments issued but not yet adopted - continued

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments of IFRS 11.

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

Bearer Plants (Amendments to IAS 16 and IAS 41) was issued in June 2014. The amendments change the financial reporting for bearer plants such as grape vines, rubber trees and oil palms. The amendment requires that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, instead of IAS 41 while the produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted. The amendment will not have an impact on the Group's financial statements as the Group does not have bearer plants.

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

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The adoption of these changes will not affect the amounts and disclosures of the Group's property, plant and equipment and intangible assets, since the group does not have any intangible assets and plants that are amortised or depreciated using a revenue based method.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New standards and amendments issued but not yet adopted - continued

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

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

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted. The Group is assessing the potential impact on its separate financial statements resulting from the application of IAS 27.

IFRS 14 *Regulatory Deferral Accounts*

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) New standards and amendments issued but not yet adopted - continued

IFRS 9: Financial Instruments (2014) - continued

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

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

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

(a) Credit risk

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

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

	2014 KShs'000	2013 KShs'000
Trade receivables	5,168,138	4,771,979
Cash and bank balances	293,263	361,195
	5,461,401	**5,133,174**

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

Impairment losses

	2014 KShs'000	2013 KShs'000
The ageing of trade receivables at the reporting date was:		
Not past due	668,240	994,781
Past due 0-90 days	1,272,900	1,085,683
Past due 90-365 days	2,736,918	2,463,537
More than one year	730,970	495,242
	5,409,028	5,039,243
Net impairment	(240,890)	(267,264)
	5,168,138	**4,771,979**

(b) Liquidity risk

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

The Group does not have access to a diverse funding base. Funds are raised mainly from its shareholders, banks and its own internal resources.

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

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

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

The table below shows the contractual maturity of financial liabilities:

2014: **KShs'000**	**Due on demand**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Total**
Liabilities:					
Long term loans	-	811,626	914,124	1,797,704	3,523,454
Bank overdraft	524,412	223,611	-	-	748,023
Trade and other payables	2,669,275	-	-	-	2,669,275
Total financial liabilities	**3,193,687**	**1,035,237**	**914,124**	**1,797,704**	**6,940,752**
2013:					
Liabilities:					
Long term loans	-	590,332	1,243,025	3,786,665	5,620,022
Bank overdraft	247,160	244,188	-	-	491,348
Trade and other payables	3,491,192	33,103	37,777	-	3,562,072
Total financial liabilities	**3,738,352**	**867,623**	**1,280,802**	**3,786,665**	**9,673,442**

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk

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

(i) Currency risk

The Group 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:

	2014 KShs'000	2013 KShs'000
Cash and bank balances	293,263	361,195
Investments in funds		-
Unquoted investments	539,353	4,895,590
Bank overdraft	(748,023)	(491,348)
Bank loan	(3,523,454)	(3,997,328)
Net statement of financial position exposure	**(3,438,861)**	**768,109**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2014 KShs	2013 KShs	2014 KShs	2013 KShs
USD	90.60	86.31	87.92	86.12
TShs	19.10	18.62	18.93	18.79
ZAR	7.79	8.27	8.12	8.95

Sensitivity analysis

A 10 percent strengthening of the Kenya shilling against the following currency 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 2013:

	Profit or loss KShs'000
At 31 December 2014	**343,886**
At 31 December 2013	**(76,811)**

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

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

The table below summarizes the contractual maturity periods and interest rate profile of the Group's financial assets and liabilities:

As at 31 December 2014:	Effective interest rate %	On demand KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non-interest bearing KShs '000	Total KShs '000
Assets						
Quoted investments	-	-	-	-	301	301
Unquoted investments	-	-	-	-	539,353	539,353
Trade receivables	-	-	-	-	5,168,138	5,168,138
Cash and cash equivalents	-	-	-	-	293,263	293,263
		-	**-**	**-**	**6,001,055**	**6,001,055**
Liabilities:						
Bank loans	7.5-16%	-	811,626	914,123	1,797,705	3,523,454
Bank overdraft	6-16%	524,412	223,611	-	-	748,023
Trade and other payables	-	-	-	-	2,669,275	2,669,275
		524,412	**1,035,237**	**914,123**	**4,466,980**	**6,940,752**
Interest rate sensitivity gap		**(524,412)**	**(1,035,237)**	**(914,123)**	**1,534,075**	**(939,697)**

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Interest rate risk - continued

As at 31 December 2013:	Effective interest rate %	On demand KShs '000	Due between 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Non-interest bearing KShs '000	Total KShs '000
Assets						
Quoted investments	-	-	-	-	316	316
Unquoted investments	-	-	-	-	5,237,133	5,237,133
Trade receivables	-	-	-	-	4,771,979	4,771,979
Cash and cash equivalents	-	-	-	-	361,195	361,195
		-	**-**	**-**	**10,370,623**	**10,370,623**
Liabilities:						
Bank loans	7.5-18%	-	590,332	1,243,025	3,786,665	5,620,022
Bank overdraft	6-16%	491,348	-	-	-	491,348
Trade and other payables	-	-	-	-	3,562,072	3,562,072
		491,348	**590,332**	**1,243,025**	**7,348,737**	**9,673,442**
Interest rate sensitivity gap		**(491,348)**	**(590,332)**	**(1,243,025)**	**3,021,886**	**697,181**

(d) Capital management

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

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

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

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

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Accounting classifications and fair values for financial assets and liabilities

The table below sets out the carrying amounts of each class of financial assets and liabilities, and their fair values:

31 December 2014:	Loans and Receivables KShs'000	Available -for-sale KShs'000	Other liabilities KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets					
Quoted investments	-	301	-	301	301
Unquoted investments	-	539,353	-	539,353	539,353
Trade receivables	5,168,138	-	-	5,168,138	5,168,138
Cash and bank balances	293,263	-	-	293,263	293,263
Total assets	**5,461,401**	**539,654**	**-**	**6,001,055**	**6,001,055**
Liabilities					
Bank overdraft	-	-	748,023	748,023	748,023
Long term loan	-	-	3,523,454	3,523,454	3,523,454
Trade payables	-	-	2,669,275	2,669,275	2,669,275
Total liabilities	**-**	**-**	**6,940,752**	**6,940,752**	**6,940,752**
31 December 2013:					
Assets					
Quoted investments	-	316	-	316	316
Unquoted investments	-	5,237,133	-	5,237,133	5,237,133
Trade receivables	4,771,979	-	-	4,771,979	4,771,979
Cash and bank balances	361,195	-	-	361,195	361,195
Total assets	**5,133,174**	**5,237,449**	**-**	**10,370,623**	**10,370,623**
Liabilities					
Bank overdraft	-	-	491,348	491,348	491,348
Long term loan	-	-	5,620,022	5,620,022	5,620,022
Trade payables	-	-	3,042,092	3,042,092	3,042,092
Total liabilities	**-**	**-**	**9,153,462**	**9,153,462**	**9,153,462**

The fair values for financial instruments such as trade receivables and prepayments, cash and bank balances, and trade payables carrying amounts are a reasonable approximation of fair values.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Valuation hierarchy

The fair value of financial assets and liabilities is determined as follows:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Quoted investments	Prices quoted at Nairobi Securities Exchange	None	Not applicable
Un Quoted investments	The entity's unquoted investments include investments in: • Development Bank of Kenya – The Price to Book multiple approach valuation technique was used. • Mwangaza Limited – The investment is held at cost.	None	Not applicable

The fair value for the financial assets and liabilities as at 31 December 2013 and 31 December 2014 is as follows:

31 December 2014:	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Quoted investments	301	-	-	301
Unquoted investments	-	539,353	-	539,353
Total assets	**301**	**539,353**	**-**	**539,654**
31 December 2013:				
Assets				
Quoted investments	316	-	-	316
Unquoted investments	-	5,237,133	-	5,237,133
Total assets	**316**	**5,237,133**	**-**	**5,237,449**

Notes to the Consolidated Financial Statements

5. REVENUE, OTHER INCOME AND EXPENSES

		2014 KShs '000	2013 KShs '000
Group			
(a)	**Revenue**		
	Sale of goods	6,697,953	5,867,875
	Rendering of services	645,290	901,632
	Construction contract revenue	2,906,350	5,038,069
		10,249,593	**11,807,576**
(b)	**Other income**		
	Gain on sale of property	21,008	425
	Change in fair value of investment property	71,267	-
	Sale of scraps	8,216	7,315
	Other income	184,785	1,200,371
		285,276	**1,208,111**
(c)	**Expenses by nature**		
	Changes in inventories of finished goods and work-in-progress	359,262	306,072
	Purchase of raw materials and consumables	5,596,273	5,352,131
	Employee benefits	1,888,205	2,154,120
	Impairment of property, plant and equipment	29,743	29,264
	Professional and consultancy cost	177,880	220,142
	Advertising costs	50,750	69,444
	Repairs and maintenance	334,862	361,157
	Lease and rent	112,123	499,618
	Others	1,675,988	1,765,375
		10,225,086	**10,757,323**
	Comprising of:		
	Cost of sales	7,668,666	8,248,302
	Operating expenses	2,556,420	2,509,021
		10,225,086	**10,757,323**
(d)	**Employee benefits**		
	Wages and salaries	1,664,920	2,106,240
	Social security contributions	196,401	25,985
	Contribution to defined contribution plans	24,558	17,324
	Termination benefits	2,326	4,571
		1,888,205	**2,154,120**

Notes to the Consolidated Financial Statements

		2014 KShs '000	2013 KShs '000
6.	**RESULTS FROM OPERATING ACTIVITIES**		
	Group		
	Results from operating activities are arrived at after charging/(crediting):		
	Depreciation	665,876	709,434
	Amortisation of prepaid operating lease rentals	4,609	4,617
	Amortisation of intangible assets	8,880	9,264
		679,365	723,315
	Impairment of intangible assets	28,729	9,926
	Provision for inventory	(2,223)	7,004
	Debtors impairment	(26,374)	(24,179)
	Directors' emoluments - Group – Fees	36,240	27,839
	- Group – Others	3,979	3,734
	- Company – Fees	11,829	12,457
	Auditors' remuneration - Group and subsidiaries	37,258	35,610
	- Company – Current year	3,850	3,705
	Gain on disposal of property, plant and equipment	(21,008)	(425)

7. NET FINANCE COSTS

Group

		2014 KShs '000	2013 KShs '000
(a)	**Finance income**		
	Interest income on loans and receivables	47,503	26,398
	Gain on exchange	(392)	32,768
		47,111	59,166
(b)	**Finance costs**		
	Interest on convertible bond	(294,774)	(294,325)
	Interest on loans	(277,983)	(179,293)
	Loss on exchange	(183,959)	(262,007)
		(756,716)	(735,625)
	Net finance costs	**(709,605)**	**(676,459)**

8. INCOME TAX

Group

		2014 KShs '000	2013 KShs '000
(a)	**Income tax expense/(credit)**		
	(i) Amounts recognised in profit or loss		
	Current tax:		
	Charge for the year @ 30%	56,540	243,728
	Deferred tax expense/ (credit):		
	Current year (Note 23)	107,770	(11,631)
	Prior year under provision (Note 23)	(583)	61
		107,187	(11,570)
		163,727	**232,158**

Notes to the Consolidated Financial Statements

8. INCOME TAX (Continued)

(a) Income tax expense/(credit) (continued)	**2014 KShs '000**	**2013 KShs '000**
(ii) Amounts recognised in other comprehensive income		
Arising from:		
Revaluation of property, plant and equipment:		
- Current year	21,599	-
- Prior year over provision	(39,314)	-
Revaluation of prepaid operating lease rentals	-	81,716
	(17,715)	**81,716**

(b) Reconciliation of effective tax rate

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

	2014 Rate	**2014 KShs'000**	**2013 Rate**	**2013 KShs '000**
Accounting profit before tax		**(2,114,202)**		**858,590**
Tax at the domestic rate of 30%	(30%)	(634,261)	30%	257,577
Previous years under provision				
- Current tax	-	-	-	-
- Deferred tax	-	(583)	-	61
Effect of taxes in foreign jurisdictions*	17%	361,298	(9%)	(74,231)
Deferred tax not recognised	4%	91,546	9%	77,813
Tax effect of non-deductible expenses	23%	493,928	4%	36,817
Tax effect of non-taxable income	(7%)	(148,201)	(8%)	(65,879)
Income tax expense	**7%**	**163,727**	**26%**	**232,158**

* TransCentury Holdings Proprietary Limited operates 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%.

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

Notes to the Consolidated Financial Statements

8. INCOME TAX (Continued)

(c) Movement in unrecognised deferred tax

	At 1 January	Movement in unrecognized deferred tax	At 31 December
2014:	**KShs '000**	**KShs '000**	**KShs'000**
Arising from:			
Tax losses	**84,763**	**91,546**	**176,309**
2013:			
Arising from:			
Tax losses	**6,950**	**77,813**	**84,763**

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.

(d) Tax recoverable/payable account

	Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
Balance as at 1 January	18,830	(156,018)	4,329	4,329
Impairment/(offset) during the year	(15,625)	86,484	-	-
Current tax charge	(56,540)	(243,728)	(2,541)	-
Paid during the year	212,853	418,576	3,615	-
Foreign exchange translation differences	15,625	(86,484)	-	-
Balance as at 31 December	**175,143**	**18,830**	**5,403**	**4,329**
Comprising of:				
Current tax recoverable	194,804	38,938	5,403	4,329
Current tax payable	(19,661)	(20,108)	-	-
Balance as at 31 December	**175,143**	**18,830**	**5,403**	**4,329**

Notes to the Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group 2013:	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 2013	1,792,051	568,772	2,674,929	3,584,257	406,066	257,670	190,920	9,474,665
Additions	126,379	81,722	25,900	182,341	45,880	42,936	128,682	633,840
Transfer from work in progress	-	-	1,884	128,441	-	-	(130,325)	-
Disposals	-	-	(392)	-	(10,712)	(1,043)	-	(12,147)
Exchange differences	8,194	(47,537)	(38,997)	(75,227)	(1,153)	(11,405)	808	(165,317)
At 31 December 2013	1,926,624	602,957	2,663,324	3,819,812	440,081	288,158	190,085	9,931,041
Comprising:								
Cost	1,926,624	417,309	396,803	1,754,708	134,724	135,511	181,097	4,946,776
Valuation	-	185,648	2,266,521	2,065,104	305,357	152,647	8,988	4,984,265
	1,926,624	602,957	2,663,324	3,819,812	440,081	288,158	190,085	9,931,041
Depreciation:								
At 1 January 2013	1,134,451	66,287	133,415	879,392	240,466	154,645	159	2,608,815
Charge for the year	266,626	11,954	16,345	231,214	138,735	39,238	5,322	709,434
Disposals	-	-	-	-	(4,261)	(4,346)	-	(8,607)
Exchange differences	3,646	(3,375)	(154)	(4,439)	(1,490)	(2,938)	(62)	(8,812)
At 31 December 2013	1,404,723	74,866	149,606	1,106,167	373,450	186,599	5,419	3,300,830
Carrying value:								
At 31 December 2013	**521,901**	**528,091**	**2,513,718**	**2,713,645**	**66,631**	**101,559**	**184,666**	**6,630,211**

Notes to the Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company - Furniture, fittings and equipment	2014 KShs'000	2013 KShs'000
Cost or valuation:		
At 1 January	18,128	17,170
Additions	7,773	1,130
Disposals	-	(172)
At 31 December	25,901	18,128
Depreciation:		
At 1 January	13,262	10,548
Charge for the year	3,382	2,865
Disposals	-	(151)
At 31 December	16,644	13,262
At 31 December	**9,257**	**4,866**

Fully depreciated assets' value as at December 2014 amount to KShs 179,281,763(2013; KShs 176,256,184) with a nominal depreciation of KShs 25,347,448(2013; KShs 26,481,749).

Revaluation

The buildings and plant and machinery of one of the subsidiaries, East African Cables Limited, were revalued in December 2012 by Lloyd Masika Limited, a firm of professional valuers on the basis of open market value for existing use. The increase in net carrying value as a result of the revaluation was credited to a revaluation reserve account.

The buildings and plant and machinery of a subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2012 by Lloyd Masika Limited, a firm of professional valuers on the basis of open market value for existing use.

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

The land and buildings of one of the subsidiaries, AEA Limited (formerly Avery East Africa Limited) were revalued in December 2011 by an independent valuer, Lloyd Masika Limited, from a firm of professional valuers on the basis of open market value for existing use. The resulting surplus was credited to revaluation reserve.

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

Security

At 31 December 2014, properties of subsidiaries have been charged to secured banking facilities per Note 17.

Notes to the Consolidated Financial Statements

10. INVESTMENT PROPERTY

	Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
Valuation				
At 1 January	282,868	285,125	-	-
Fair value changes	71,267	-	-	-
Exchange differences	(5,837)	(2,257)	-	-
At 31 December	**348,298**	**282,868**	**-**	**-**

Revaluation

The investment property of the subsidiary, East African Cables Limited, comprises of residential properties that have been leased to a third party which were revalued by Lloyd Masika Limited (Kenya and Tanzania) in 2014.

The properties are leased on a renewable annual lease.

Measurement of fair values

(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	The investment properties of East African Cables (Kenya) were revalued in 2012 while the subsidiary's, East African Cables (Tanzania) Limited, were revalued in 2014 by Lloyd Masika Limited, a firm of independent professional valuers on the basis of open market value for existing use. The open market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The resulting fair value change is dealt with through profit or loss.	The properties in Tanzania are residential houses are located close to the Central Business District. Due to their prime location, they have high chances of being fully let out most of the time. The property owned by East African cables Kenya is located in the Lavington area approximately 15kms from Nairobi City Centre.	For both properties, the rent charged is high due to the location and the market value of the property is bound to go up due to the prime location.

Notes to the Consolidated Financial Statements

10. INVESTMENT PROPERTY (Continued)

Measurement of fair values (continued)

(ii) Level 3 fair values

Reconciliation of level 3 fair values

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

	2014 KShs'000	2013 KShs'000
Balances at 1 January	282,868	285,125
Total gains or losses in fair value	65,430	(2,257)
Balances at 31 December	**348,298**	**282,868**

11. PREPAID OPERATING LEASE RENTALS

	Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
At 1 January	446,703	149,918	-	-
Amortisation for the year	(4,609)	(4,617)	-	-
Revaluation surplus	-	268,161	-	-
Exchange differences	(9,688)	33,241	-	-
At 31 December	**432,406**	**446,703**	**-**	**-**

Notes to the Consolidated Financial Statements

12. INTANGIBLE ASSETS

(a) Group

2014:	**Software KShs '000**	**Goodwill KShs '000**	**Brand KShs '000**	**Total KShs '000**
Cost				
At 1 January	37,017	2,402,073	57,802	2,496,892
Additions	3,252	3,114	-	6,366
Reclassification (Note 9)	28,877	-	-	28,877
Impairment loss	-	-	(28,729)	(28,729)
Exchange differences	1,080	115,073	5,963	122,116
At 31 December	70,226	2,520,260	35,036	2,625,522
Amortisation				
At 1 January	15,054	-	23,974	39,028
Amortisation	5,562	-	3,318	8,880
Reclassification (Note 9)	19,021	-	-	19,021
Exchange differences	11,732	-	7,744	19,476
At 31 December	51,369	-	35,036	86,405
Carrying value At 31 December	**18,857**	**2,520,260**	**-**	**2,539,117**
2013:				
Cost				
At 1 January	55,807	2,357,661	75,209	2,488,677
Impairment loss	-	-	(9,926)	(9,926)
Exchange differences	(18,790)	44,412	(7,481)	18,141
At 31 December	37,017	2,402,073	57,802	2,496,892
Amortisation				
At 1 January	31,924	1,930	25,231	59,085
Amortisation	5,598	-	3,666	9,264
Exchange differences	(22,468)	(1,930)	(4,923)	(29,321)
At 31 December	15,054	-	23,974	39,028
Carrying value At 31 December	**21,963**	**2,402,073**	**33,828**	**2,457,864**

Notes to the Consolidated Financial Statements

12. INTANGIBLE ASSETS (Continued)

(b) Company – Software

	2014 KShs '000	2013 KShs '000
Cost		
At 1 January and 31 December	337	337
Amortisation		
At 1 January	337	337
Amortisation during the year	-	-
At 31 December	337	337
Carrying value at 31 December	**-**	**-**

(c) Goodwill on acquisition of TransCentury Holdings Pty Limited

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

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

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

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

On 5 August 2014, the group acquired additional shareholding of 38% in Civicon DRC Holding Limited which resulted in additional goodwill. Following this acquisition the Group holds 100% of Civicon DRC Holding Limited.

(e) Brand

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

Notes to the Consolidated Financial Statements

13. INVESTMENTS

	Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
(a) Quoted shares				
Movement during the year:				
At 1 January	316	281	316	281
Disposals	-	-	-	-
Fair value (loss)/gain in the year	(15)	35	(15)	35
At 31 December	**301**	**316**	**301**	**316**
Comprising:				
Cost	18,006	18,006	18,006	18,006
Cumulative fair value change	(17,705)	(17,690)	(17,705)	(17,690)
	301	**316**	**301**	**316**
(b) Unquoted shares				
RVR Investments (PTY) Limited (RVR) – Registered in Mauritius:				
Opening balance	4,793,826	3,855,686	-	-
Additional investment	-	924,367	-	-
Proceeds from disposal	(3,758,811)	-	-	-
Fair value (loss)/gain	(1,035,015)	13,773	-	-
Closing balance	**-**	**4,793,826**	**-**	**-**
Comprising of:				
Cost	-	3,765,146	-	-
Cumulative fair value gain	-	1,028,680	-	-
	-	**4,793,826**	**-**	**-**
Development Bank of Kenya Limited:				
Cost	78,689	78,689	78,689	78,689
Cumulative fair value gain	353,495	262,854	353,495	262,854
	432,184	341,543	432,184	341,543
Mwangaza Limited:				
Cost	101,764	101,764	-	-
Forex exchange	5,405	-	-	-
Cumulative fair value gain	-	-	-	-
	107,169	101,764	-	-
	539,353	**5,237,133**	**432,184**	**341,543**

The Group through its wholly owned subsidiary, Safari Rail Company Limited ("Safari Rail"), disposed of its entire 34% shareholding in KU Railways Holdings Limited ("KURH"), the lead investor in Rift Valley Railways ("RVR") to Africa Railways Limited, a core subsidiary of Citadel Capital on 31 March 2014 by exercising a Put Option. As a result, the Group realised USD 43.7m (KShs 3.8bn) from the sale (Note 27), which saw it recover its entire cash investment in RVR. However, the sale proceeds were below the cumulative fair value of the investment.

Notes to the Consolidated Financial Statements

13. INVESTMENTS (Continued)

(c) Investment in subsidiaries – Fair value

	Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
Cable Holdings (Kenya) Limited* 100% (2013 – 94.8113%):				
Cost	-	-	460,232	271,681
Cumulative fair value gain	-	-	2,919,115	3,033,104
	-	-	3,379,347	3,304,785
AEA Limited (formerly Avery East Africa Limited) 94.4058% (2013 – 94.4058%):				
Cost	-	-	49,853	49,853
Cumulative fair value gain	-	-	511,502	566,300
	-	-	561,355	616,153
Tanelec Limited 70% (2013 – 70%):				
Cost	-	-	78,720	78,720
Cumulative fair value gain	-	-	638,011	748,452
	-	-	716,731	827,172
TransCentury Holdings Proprietary Limited 100% (2013 – 100%):				
Cost	-	-	122,167	122,167
Cumulative fair value gain	-	-	772,662	1,074,119
	-	-	894,829	1,196,286
Crystal Limited 100% (2013 – 100%):				
Cost	-	-	52	52
Cumulative fair value gain	-	-	-	-
	-	-	52	52
TC Mauritius Holdings Limited 100% (2013 – 100%):				
Cost	-	-	973,103	973,103
Cumulative fair value gain	-	-	2,857,253	3,810,049
	-	-	3,830,356	4,783,152
Total investment in subsidiaries	**-**	**-**	**9,382,670**	**10,727,600**

Notes to the Consolidated Financial Statements

13. INVESTMENTS (Continued)

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

Movement in investment in subsidiaries during the year

	Consolidated 2014	Consolidated 2013	Company 2014	Company 2013
1 January	-	-	10,727,600	9,138,670
Additional investment	-	-	188,551	-
Fair value (loss)/gain in the year	-	-	(1,533,481)	1,588,930
At 31 December	**-**	**-**	**9,382,670**	**10,727,600**
Comprising of:				
Cost	-	-	1,684,127	1,495,576
Cumulative fair value gain	-	-	7,698,543	9,232,024
Total investment in subsidiaries	**-**	**-**	**9,382,670**	**10,727,600**

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

In the year 2005, the company acquired 94.4058% shareholding in AEA Limited (formerly Avery East Africa Limited).

In year 2007, the company acquired 70% shareholding in Tanelec Limited. The company holds 100% shareholding in Crystal Limited which was acquired in 2008. Crystal Limited in turn had a shareholding of 95% in Chai Bora Limited which was disposed of in 31 December 2012.

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

In July 2014, TransCentury Limited entered into a Share Swap Agreement with Aureos East African Fund LLC ("Aureos") where the company acquired Aureos' entire shareholding in Cable Holding Kenya Limited ("CHKL") in exchange for shares of the Company.

Aureos was allotted KShs 188,550,599 worth of shares in the Company in return for Aureos' holding in CHKL. The consideration amount was calculated by direct reference to the average trading price of the Company's shares on the NSE. In particular, shares to be allotted to Aureos were at KShs 29.77, which was equal to the volume weighted average price (VWAP) of the Company's shares for the 30 trading days on the NSE - expiring on 14 February 2014.

The purchase price of the shares to be sold by Aureos in CHKL were computed on similar terms, that is, by reference to the price of the quoted securities of its underlying listed subsidiary, East Africa Cables Limited (currently the only asset of CHKL). Based on this, Aureos was allotted 6,334,192 new shares, the existing shareholders stake in the Group was diluted by approximately 2.3 %.

Following the acquisition, the company holds 100% (2013 – 94.8113%) shareholding in Cable Holdings Limited as at 31 December 2014 which leads to an effective shareholding of 68.3738% (2013 – 64.3614%) of East Africa Cables Limited (A company listed on the Nairobi Securities Exchange).

Notes to the Consolidated Financial Statements

13. INVESTMENTS (Continued)

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

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial assets measured at fair value at 31 December 2013 and 31 December 2014

Fair value hierarchy	Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Level 2	Investment in subsidiaries	Transcentury Limited has investments in the following subsidiaries: · Cable Holdings (K) Ltd – Valued using the Net assets method · AEA Limited (formerly Avery East Africa Limited) – Valued using a blended average of DCF method, EV/EBITDA multiple and the EV/ Revenue multiple · Tanelec Limited – Valued using a blended average of DCF method, EV/EBITDA multiple and the EV/ Revenue multiple · TransCentury Holdings Pty Ltd – Valued using a blended average of DCF method and the EV/ Revenue multiple · TransCentury Mauritius Holdings - Valued using the Net assets method	None	Not applicable

Notes to the Consolidated Financial Statements

13. INVESTMENTS (Continued)

(d) Non-controlling Interest (NCI)

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

31 December 2014:

In Kshs'000	Tanelec Ltd	EAC Ltd	AEA Limited (formerly Avery East Africa Limited)	TC Mauritius Holdings Ltd	Intra-group eliminations	Total
NCI percentage	**30%**	**31.6%**	**6%**	**38%***		
Non-current assets	962,618	4,042,701	106,143	1,692,090	-	**-**
Current assets	893,993	3,827,420	253,916	2,799,457	-	**-**
Non-current liabilities	304,953	1,503,932	-	130,888	-	**-**
Current liabilities	977,674	3,274,315	221,261	1,869,738	-	**-**
Net assets excluding Underlying NCI	**573,984**	**3,091,875**	**138,797**	**2,490,921**	**-**	**-**
Underlying NCI	**(49,443)**	**676,272**	**-**	**(2,226)**	**-**	**-**
Net assets including underlying NCI	**623,426**	**2,415,602**	**138,797**	**2,493,148**	**-**	**-**
Carrying amount of NCI	**137,585**	**1,440,236**	**7,765**	**944,324**	**6,093****	**2,536,003**
Revenue	957,972	5,098,417	315,493	2,802,729	-	**-**
Profit	(120,046)	341,147	(36,232)	(16,366)	-	**-**
OCI	6,127	(12,965)	-	142,424	-	**-**
Total comprehensive income	**(113,919)**	**328,183**	**(36,232)**	**126,058**	-	**-**
Profit allocated to NCI	(45,947)	140,019	(2,027)	(7,298)	-	**84,748**
OCI allocated to NCI	(781)	(4,100)	-	(30,138)	(32,604)	**2,416**
Cash flows from operating activities	48,665	474,480	(53,543)	344,643	-	**-**
Cash flows from investment activities	(81,674)	966,042	(7,972)	(114,325)	-	**-**
Cash flows from financing activities (dividends to NCI: nil)	(10,386)	260,175	58,757	(114,763)	-	**-**
Net increase (decrease) in cash and cash equivalents	**(43,395)**	**1,700,697**	**(2,758)**	**115,554**	**-**	**-**

* Underlying non-controlling interest at Civicon Africa Group Limited

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

13. **INVESTMENTS (Continued)**

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

31 December 2013:

In Kshs'000	Tanelec Ltd	EAC Ltd	AEA Limited (formerly Avery East Africa Limited)	Cable Holdings Ltd	TC Mauritius Holdings Ltd	Intra-group eliminations	Total
NCI percentage	**30%**	**36%**	**6%**	**5%**	**38% and 31.6%***		
Non-current assets	942,748	3,226,080	104,103	3,485,573	9,868,429	-	-
Current assets	985,439	3,583,185	257,655	46,200	4,023,007	-	-
Non-current liabilities	(693,810)	(3,066,537)	(175,374)	(3,473,283)	(4,093,729)	-	-
Current liabilities	(841,230)	(2,746,110)	(176,702)	(50,472)	(3,778,937)	-	-
Net assets	**393,147**	**996,618**	**9,682**	**8,018**	**6,018,770**	**-**	**-**
Carrying amount of NCI	**186,063**	**1,513,858**	**9,811**	**10,156**	**1,169,098**	**-**	**2,888,986**
Revenue	915,404	4,502,964	449,883	-	5,301,886	-	-
Profit	(46,010)	398,201	(3,344)	169,601	663,244	-	-
OCI	238,289	(3,568)	-	874,009	(18,907)	-	-
Total comprehensive income	**192,279**	**394,633**	**(3,344)**	**1,043,610**	**644,337**	**-**	**-**
Profit allocated to NCI	(13,803)	141,913	(187)	8,800	233,138	(34,724)	**335,137**
OCI allocated to NCI	71,486	(1,271)	-	45,349	235,186	56,663	**407,414**
Cash flows from operating activities	77,723	(381,350)	8,897	170,714	785,401	-	-
Cash flows from investment activities	(43,842)	(189,056)	(3,154)	-	(1,274,880)	-	-
Cash flows from financing activities (dividends to NCI: nil)	(56,212)	490,928	(9,346)	(170,717)	359,199	-	-
Net increase (decrease) in cash and cash equivalents	**(22,332)**	**(79,478)**	**(3,603)**	**(3)**	**(130,280)**	**-**	**-**

*Underlying non-controlling interest at Civicon Africa Group Limited and Civicon DRC Holdings Limited

Notes to the Consolidated Financial Statements

		Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
14.	**LOANS TO SUBSIDIARIES**				
	Payable after 12 months:				
	TransCentury Holdings Proprietary Limited				
	- South Africa	-	-	362,146	380,379
	Crystal Limited – Tanzania	-	-	-	91,336
	East Africa Cables Limited	-	-	326,152	-
	Tanelec Limited	-	-	29,897	28,482
		-	**-**	**718,195**	**500,197**
15.	**INVENTORIES**				
	Raw materials	679,200	528,498	-	-
	Finished goods	447,753	485,796	-	-
	Work in progress	222,104	205,680	-	-
	Goods in transit	10,772	27,134	-	-
	Spares and lubricants	159,184	115,771	-	-
	Machines	119,164	98,983	-	-
	Consumables	237,625	94,984	-	-
	Containers	-	1,599	-	-
	Provision for obsolete and slow moving stocks	(15,794)	(18,017)	-	-
		1,860,008	**1,540,428**	**-**	**-**

In 2014, inventories of KShs 5,596,273,000 (2013: KShs 5,352,131,000) were recognised as an expense during the year and included in cost of sales.

		Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
16.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	5,409,028	5,039,243	-	-
	Bad debts provision	(240,890)	(267,264)	-	-
		5,168,138	**4,771,979**	**-**	**-**
	Sundry receivables and prepayments	716,896	2,071,097	10,421	5,519
	Staff receivables	1,554	597	1,554	599
	Due from related parties (Note 26(h))	-	-	1,062,875	1,672,422
		5,886,588	**6,843,673**	**1,074,850**	**1,678,540**
17.	**CASH AND CASH EQUIVALENTS**				
	Cash and bank balances	293,263	361,195	9,775	30,096
	Bank overdraft	(748,023)	(491,348)	-	-
	Total cash and cash equivalents	**(454,760)**	**(130,153)**	**9,775**	**30,096**

Bank facilities

The Group has entered into facilities with various banks which are secured by pledge over various marketable listed stock exchange shares including East African Cables Limited shares equivalent to KShs 2.35 billion (2013 – KShs 2.35 billion).

A subsidiary, East African Cables Limited has entered into a facility with the banks and is secured over certain land and buildings for KShs 1,120 million (2013 - KShs 870 million) and debentures over all assets of the company for KShs 2.9 billion (2013 - KShs 2.35 billion).

Notes to the Consolidated Financial Statements

17. CASH AND CASH EQUIVALENTS (Continued)

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

A subsidiary of East African Cables Limited, East African Cables (Tanzania) Limited, has a bank overdraft for working capital management and a short term post-import financing loan with Standard Chartered Bank (Tanzania) Limited. The facility is charged against the leasehold land and moveable assets of the subsidiary. The subsidiary also has a long term facility of KShs 44 million equivalent with Kenya Commercial Bank Tanzania Limited for the purchase of machinery. The loan is secured by the machinery purchased.

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

A subsidiary, AEA Limited (formerly Avery East Africa Limited), has a bank facility with Chase Bank (Kenya) Limited for KShs 100 million (2013 - KShs 100 million) secured by its leasehold land and building. Interest is charged at 16%.

A subsidiary of Civicon Africa Group Limited, Civicon Kenya Limited, has a working capital facility from Citibank N.A. The facility is secured by way of a Corporate guarantee from Transcentury Limited, the ultimate holding company, for USD 29,050,000 (2013 - USD 14,650,000), a first ranking over all asset debenture of USD 29,050,000 (2013 - USD 13,900,000); and a legal charge over the land known as subdivision 2387 (original number 1955 and 2077) section V, mainland North Mombasa in the amount of USD 5,120,000 (2013 - USD 5,120,000). Interest is charged at a fixed rate of 5.74% (2013 - 5.87%). The subsidiary also has an asset finance facility from Commercial Bank of Africa Limited which is secured by way of joint registration of the motor vehicles/trucks being financed. The interest rate on the loan was at the rate of 8.5% (2013 – 8.5%).

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

18. SHARE CAPITAL

	2014 KShs '000	2013 KShs '000
Group and Company		
Authorised		
600,000,000 (2013 - 600,000,000) Ordinary shares of KShs 0.50 each	**300,000**	**300,000**
Issued and fully paid		
At 1 January 273,950,284 (2013 -273,950,284)	136,975	136,975
Issued during the year 6,334,192	3,167	-
At 31 December 280,284,476 (2013 -273,950,284) Ordinary shares of KShs 0.50 each	**140,142**	**136,975**

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 Financial Statements

19. SHARE PREMIUM

	Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
At 1 January	379,717	379,717	379,717	379,717
Issued during the year	185,384	-	185,384	-
At 31 December	**565,101**	**379,717**	**565,101**	**379,717**

20. RESERVES

(a) Revenue reserves

Revenue reserves relate to accumulated profits over the years.

(b) Translation reserve

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

(c) Available for sale reserve

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

(d) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment prior to its reclassification as investment property.

21. PROPOSED DIVIDENDS AND EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the (loss)/profit attributable to ordinary shareholders of KShs (2,362,676,000) (2013 – KShs 291,295,000) and a weighted average number of ordinary shares outstanding during the year of 277,117,380 (2013 – 273,950,284).

	2014 KShs '000	2013 KShs '000
(Loss)/profit attributable to ordinary shareholders	**(2,362,677)**	**291,295**
Basic and diluted earnings per share (KShs)	**(8.53)**	**1.06**

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

The calculation of diluted earnings per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of KShs 2,053,728,000 (2013 - profit of KShs 581,146,336) and a weighted average number of ordinary shares outstanding after adjustment for all the effects of all dilutive potential ordinary shares of 373,952,841 (2013 – 381,748,251).

Notes to the Consolidated Financial Statements

21. PROPOSED DIVIDENDS AND EARNINGS PER SHARE (Continued)

(b) Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares as at 1 January	273,950,284	273,950,284
Effect of shares issued in July 2014	3,167,096	-
Weighted average number of ordinary shares at 31 December	**277,117,380**	**273,950,284**

(c) Proposed dividends

	2014 KShs '000	2013 KShs '000
Balance brought forward	109,580	109,580
Final proposed for the year	-	109,580
Paid or transferred to liabilities in the year	(109,580)	(109,580)
	-	**109,580**

Proposed dividends are accounted for as a separate component of equity until they have been ratified at a General Meeting. During the year the directors paid the 2013 final dividend of KShs 109,580,114 and do not recommend any dividends in 2014.

22. CONVERTIBLE BOND

In 2011 the group issued a United States Dollar (USD) denominated convertible bond through one of its subsidiaries, TC Mauritius Holdings Limited. The total amount of the convertible bond issued as at 31 December 2014 is USD 60,270,000. Some of the bond holders converted their portion of the bond to ordinary shares during the year ended 31 December 2011 amounting to USD 3,435,000. The movement in the bond during the year is as follows:

	2014 KShs '000	2013 KShs '000
At 1 January	5,132,002	4,574,554
Issued during the year	-	517,858
Interest accrued	308,948	318,967
Interest paid	(294,774)	(294,325)
Forex losses	240,797	14,948
At 31 December	**5,386,973**	**5,132,002**

The terms of the convertible bond are as follows:

- Term of bond: 5 year, maturing on 25 March 2016;
- Interest rate: 6% per annum cash coupon paid annually and 6% per annum payment in kind to be paid at the end of 5th year (25 March 2016) should the Bond not be converted. The payment in kind interest not accrued in the books amount to KShs 1.2billion (2013: KShs 761million). The window for conversion of shares ends on 25 September 2015.
- The company has reserved 150,929,616 ordinary shares to cater for conversion of the bond into shares, of which 6,912,194 was issued on conversion during the year ended 31 December 2011.
- The convertible bond is converted at a fixed conversion foreign exchange rate of 80.49135 to US$1.00.

Notes to the Consolidated Financial Statements

23. DEFERRED TAX (ASSET)/LIABILITY

(a) Deferred tax asset

(i) Group

2014:	At 1 January KShs '000	Reclassification (Note 23(b)) KShs '000	Recognised through profit or loss KShs '000	Prior year (over)/under provision KShs '000	At 31 December KShs '000
Property, plant and equipment	944	(13,489)	76	-	(12,469)
Other provisions and accruals		3,807	2,098	583	6,488
Tax losses	-	-	11,973	-	11,973
	944	**(9,682)**	**14,147**	**583**	**5,992**
2013					
Property, plant and equipment	**575**	**-**	**369**	**-**	**944**

(ii) Company

2014					
Property, plant and equipment	**944**	**-**	**(37)**	**-**	**907**
2013					
Property, plant and equipment	**575**	**-**	**369**	**-**	**944**

Notes to the Consolidated Financial Statements

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

(b) Deferred tax liability

Group

2014:	At 1 January KShs '000	Reclassification (Note 23(a)(i)) KShs '000	Recognised through profit or loss KShs '000	Prior year (over)/ under provision KShs '000	Recognised in other comprehensive income (Note 8(a)(ii)) KShs '000	Exchange differences KShs '000	At 31 December KShs '000
Staff gratuity liability	(5,419)	-	(1,252)	-	-	58	(6,613)
Other provisions and accruals	(153,565)	3,807	48,382	-	-	(1,015)	(102,391)
Unrealised exchange gain	(2,052)	-	(18,229)	-	-	(4,855)	(25,136)
Tax losses	(68,467)	-	(52,610)	-	-	4,130	(116,947)
Property, plant and equipment	1,113,921	(13,489)	145,626	-	(17,715)	(15,101)	1,213,242
	884,418	**(9,682)**	**121,917**	**-**	**(17,715)**	**(16,783)**	**962,155**
2013:							
Staff gratuity liability	(4,236)	-	(1,116)	-	-	(67)	(5,419)
Other provisions and accruals	(81,970)	-	13,536	64	-	(85,195)	(153,565)
Tax losses	(74,435)	-	(8,585)	-	-	14,553	(68,467)
Unrealised exchange gain	26,366	-	(23,178)	-	-	(5,240)	(2,052)
Property, plant and equipment	851,713	-	8,081	(3)	81,716	172,414	1,113,921
	717,438	**-**	**(11,262)**	**61**	**81,716**	**96,465**	**884,418**

Notes to the Consolidated Financial Statements

24. LOANS		Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
Bank loans	-Long term	1,797,704	3,786,665	847,907	2,388,031
	-Short term	1,725,750	1,833,357	-	-
Loans from subsidiaries (Note 26(g))		-	-	576,073	576,073
		3,523,454	**5,620,022**	**1,423,980**	**2,964,104**
Payable after 12 months		1,797,704	3,786,665	847,907	2,388,031
Payable within 12 months		1,725,750	1,833,357	576,073	576,073
		3,523,454	**5,620,022**	**1,423,980**	**2,964,104**
Movement in the loans is as shown below:					
Balance at 1 January		5,620,022	4,577,127	2,964,104	2,429,186
Received during the year		3,736,802	5,903,127	-	1,951,110
Repaid during the year		(5,833,370)	(4,860,232)	(1,540,124)	(1,416,192)
Balance at 31 December		**3,523,454**	**5,620,022**	**1,423,980**	**2,964,104**

The bank loans are granted under the bank facilities per Note 17 above.

25. TRADE AND OTHER PAYABLES	Consolidated 2014 KShs '000	Consolidated 2013 KShs '000	Company 2014 KShs '000	Company 2013 KShs '000
Trade payables	2,152,255	3,042,092	-	-
Sundry creditors	517,020	519,980	84,030	86,306
Due from related parties (Note 26(i))	-	-	1,202,748	-
	2,669,275	**3,562,072**	**1,286,778**	**86,306**

26. RELATED PARTIES TRANSACTIONS

The following transactions were carried out with related parties:

		2014 KShs'000	2013 KShs'000
(a) Directors and executive officers			
Group and Company			
Directors emoluments	- Group	36,240	27,839
	- Others	2,976	3,734
	- Company fees	11,829	12,457
		51,045	**44,030**
(b) Inter-company sales – Group			
From East African Cables Ltd (EAC) to Tanelec Limited		-	11,673
From AEA Limited (formerly Avery East Africa Limited) to Civicon Limited		2,941	16,695
From AEA Limited (formerly Avery East Africa Limited) to EAC		642	1,095
From East African Cables Limited to Civicon		1,945	-
From East African Cables Limited to Kewberg		-	27,545
From Kewberg to Cableries du Congo		19,809	38,390
		25,337	**95,398**

Notes to the Consolidated Financial Statements

26.	RELATED PARTIES TRANSACTIONS (Continued)	2014 KShs'000	2013 KShs'000
(c)	**Interest income - Company**		
	East African Cables Limited	17,777	-
	Tanelec Limited	2,111	2,011
	Kewberg Cables and Braid (Proprietary) Limited	16,309	13,019
	Crystal Limited	795	843
		36,992	**15,873**
(d)	**Dividends receivable - Company**		
	Cable Holdings (Kenya) Limited	184,285	162,915
	AEA Limited (formerly Avery East Africa Limited)	-	4,696
		184,285	**167,611**
(e)	**Technical fees - Company**		
	Tanelec Limited – Tanzania	26,880	26,455
	Civicon Limited	10,149	14,485
	AEA Limited (formerly Avery East Africa Limited)	7,809	9,983
	East African Cables Limited	1,949	-
	Civicon DRC Holdings Limited	160,805	-
		207,592	**50,923**
(f)	**Loans to subsidiaries - Company**		
	Payable after 12 months:		
	TransCentury Holdings (Proprietary) Limited - South Africa	362,146	380,379
	Crystal Ltd – Tanzania	-	91,336
	East African Cables Limited	326,152	-
	Tanelec Limited – Tanzania	29,897	28,482
		718,195	**500,197**
(g)	**Loan from subsidiary - Company**		
	Cable Holdings (Kenya) Limited	**576,073**	**576,073**
(h)	**Due from/(to) related parties - Company**		
	Cable Holdings (Kenya) Limited	309,986	233,307
	AEA Limited (formerly Avery East Africa Limited)	44,390	38,486
	Chai Bora Limited	15,928	21,217
	East African Cables Limited	122,613	(204,060)
	Crystal Limited	26,605	17,224
	TransCentury Holdings (Proprietary) Limited	1,958	1,958
	Tanelec Limited	138,684	115,843
	Kewberg Cables and Braid (Proprietary) Limited	122,033	105,710
	TC Mauritius Holdings Limited	-	1,332,947
	Cable Holdings Mauritius Limited	4,422	4,212
	TC Railway Holdings Mauritius	2,986	2,844
	Safari Rail Company Limited	1,840	1,753
	Cableries du Congo	-	(6,630)
	Civicon Limited	103,119	218
	Tanelec Zambia Limited	7,506	7,393
	Civicon DRC Holdings Limited	160,805	-
		1,062,875	**1,672,422**

Notes to the Consolidated Financial Statements

26.	**RELATED PARTIES TRANSACTIONS (Continued)**	**2014**	**2013**
		KShs'000	**KShs'000**
(i)	**Due to related parties - Company**		
	Cableries du Congo	6,375	-
	TC Mauritius Holdings Limited	1,196,373	-
		1,202,748	**-**
(j)	**Key management personnel compensation**		
	Short-term employee benefits	285,792	162,663
	Post-employment benefits	41,788	61,831
		327,580	**224,494**

(k) Key management personnel transactions

Directors control 21.2% of the voting shares of the company. A number of key management personnel or their related parties hold positions in other companies that result in them having control or significant influence over those other companies.

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

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

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

	KShs'000	**USD**
Fair value of investment	4,793,826	55,528,548
Less: Proceeds from disposal	(3,758,811)	(43,769,646)
Loss on disposal	**1,035,015**	**11,758,902**
Attributed to:		
Cumulative fair value loss at 31 March 2014	(1,035,015)	(11,758,902)
Loss on disposal	**(1,035,015)**	**(11,758,902)**

Notes to the Consolidated Financial Statements

28. SEGMENT INFORMATION

(a) Basis of Segmentation

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

- Power
- Engineering
- Transport

These business units offer different products and services and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment:

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

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

(b) Information about reportable segments

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

Notes to the Consolidated Financial Statements

28. SEGMENT INFORMATION (Continued)

(b) Information about reportable segments (continued)

Year ended 31 December 2014	**Power KShs'000**	**Engineering KShs'000**	**Transport KShs'000**	**Affiliated investments KShs'000**	**Intra-group adjustments KShs'000**	**Total KShs'000**
Segment revenue	**6,671,423**	**3,603,507**	**-**	**-**	**(25,337)**	**10,249,593**
Operating profit/(loss)	**301,554**	**(198,730)**	**(1,035,015)**	**(472,406)**	**-**	**(1,404,597)**
Finance costs	-	-	-	-	-	(709,605)
Income tax expenses	-	-	-	-	-	(163,727)
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,277,929)**
Attributable to:						
Equity holders	-	-	-	-	-	(2,362,677)
Non-controlling interest	-	-	-	-	-	84,748
Other information:						
Segment assets	10,746,860	5,931,291	-	2,785,507	-	19,463,658
Segment liabilities	7,630,609	3,266,654	-	(2,915,303)	-	7,981,960
Capital expenditure	1,184,333	148,853	-	7,773	-	1,340,959
Depreciation and amortisation	253,053	407,143	-	19,169	-	679,365
Year ended 31 December 2013						
Segment revenue	**6,259,416**	**5,643,558**	**-**	**-**	**(95,398)**	**11,807,576**
Operating profit	**505,198**	**694,262**	**-**	**335,589**	**-**	**1,535,049**
Finance costs	-	-	-	-	-	(676,459)
Income tax expenses	-	-	-	-	-	(232,158)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**626,432**
Attributable to:						
Equity Holders	-	-	-	-	-	291,295
Non-controlling interest	-	-	-	-	-	335,137
Other information: Restated						
Segment assets	9,731,693	5,948,125	-	8,160,455	-	23,840,273
Segment liabilities	6,231,586	3,549,895	-	840,404	-	10,621,885
Capital expenditure	282,634	350,248	-	958	-	633,840
Depreciation and amortization	288,648	431,801	-	2,866	-	723,315

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

Notes to the Consolidated Financial Statements

28. 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.

	2014 KShs '000	2013 KShs '000
(i) Revenue		
Kenya	5,936,360	5,504,860
Tanzania	2,028,841	2,108,472
Uganda	590,726	845,952
Rwanda	7,456	1,753
South Sudan	229,446	125,516
South Africa	512,972	695,949
Mauritius	108,613	679,167
DR Congo	685,815	1,781,930
Zambia	134,669	50,656
Other countries	14,695	13,321
	10,249,593	**11,807,576**
(ii) Non-current assets		
Kenya	4,843,102	3,795,270
Tanzania	2,083,895	2,094,645
Uganda	145,596	146,375
South Sudan	32,881	42,227
South Africa	632,627	542,692
Mauritius	2,557,791	7,444,110
DR Congo	177,770	866,909
Zambia	755,333	123,811
	11,228,995	**15,056,039**

29. CAPITAL COMMITMENTS

During 2014, the Group entered into a contract to purchase property, plant and equipment for a subsidiary, East African Cables for KShs 227,000,000 (2013: KShs 120,487,000).

30. OPERATING LEASES

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

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

Consolidated and Company	**2014** **KShs'000**	**2013** **KShs'000**
Less than one year	2,911	2,847
Between one and five years	7,041	8,025
More than five years	-	345
	9,952	**11,217**

In 2014, an amount of KShs 3,214,221 (2013: KShs 3,077,772) was recognized in profit or loss for operating lease payments.

Notes to the Consolidated Financial Statements

31. CONTINGENCIES

A subsidiary of TransCentury Limited, Cable Holdings (Kenya) Limited, has given a guarantee and indemnity and supported a pledge of its shares in East African Cables Limited to secure borrowings by TransCentury Limited, its parent from Equity Bank Limited. The maximum exposure is KShs 848 million (2013 - KShs 2.35 billion) plus interest, charges and fees thereon.

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

32. EVENTS AFTER THE REPORTING PERIOD

On 30 January 2015, the Group through its wholly owned subsidiary, TC Engineering & Contracting Limited ("TCEC"), completed the acquisition of additional 16% shareholding in Civicon African Group Limited (CAGL), the holding company for the Civicon group of companies which includes Civicon Limited (Kenya), Civicon Limited (Uganda), Civicon Limited (Rwanda), Civicon Limited (Mauritius), Civicon Limited (South Sudan), Truck Oil Limited and Engserv Kenya Limited. Alacrity Limited, the minority shareholders who currently own 38% of Civicon business offered to sell to the Group the additional 16% of the entire shareholding of CAGL through exercising the Put Option pursuant to the agreement entered into by the shareholders in 2012 during the acquisition of the business.

The primary purpose of this transaction is to provide the Group with an opportunity to participate in the significant upside growth that Civicon presents as an Engineering and Construction company with a track record for delivering large projects and a leading player in the construction sector in East and Central Africa. This transaction is also in line with the overall Group strategy of consolidating its core businesses and maximising the value of investments for shareholders.

Following the acquisition, the Group has increased its shareholding in Civicon African Group Limited (CAGL) from 62% to 78%. The Put Shares were sold free from all liens, charges, equities and encumbrances and together with all rights, distributions and benefits attached to the Put Shares arising or accruing at and after the exercise.

Further, subsequent to 31 December 2014 the Group obtained a long term business loan facility of USD 11 million. The applicable interest rate will be 6 months' LIBOR + 5.5% subject to a minimum of 7.5% p.a. on a reducing balance basis.

OTHER INFORMATION

Composition of Net Asset and Fair Value

	31-Dec-14		31-Dec-13	
	Net asset value KShs '000	Fair value KShs '000	Net asset value KShs '000	Fair value KShs '000
Cable Holdings (Kenya) Limited *	3,380,602	3,379,347	2,907,424	3,304,785
AEA Limited (formerly Avery East Africa Limited)	131,032	561,355	165,563	616,153
Tanelec Limited	401,789	716,731	485,667	827,172
TransCentury Holdings Proprietary Limited**	(231,863)	894,829	(88,076)	1,196,286
Crystal Limited	(29,883)	52	(10,229)	52
TC Mauritius Holdings Limited***	1,921,589	3,830,356	4,093,729	4,783,152
Total Net Asset Value (NAV)	**5,573,265**	**9,382,670**	**7,554,077**	**10,727,600**
No of shares	**280,284,476**	**280,284,476**	**273,950,284**	**273,950,284**
NAV after tax per share (KShs)	**19.88**	**33.48**	**27.57**	**39.16**

Note

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

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

*** This includes the value of Civicon Group and the investment in Rift Valley Railways (RVR) which was disposed on 31 March 2014. The Net Asset Value was impacted on by a one off fair value loss realized on the disposal of RVR amounting to KShs 1 billion. The value does not include the 16% additional shareholding in Civicon Group acquired on 30 January 2015.

Proxy Form

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

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

of ………

being a member/members of ………

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

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

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

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

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

Of the Company to be held on 29th May, 2015 ………………………………………..……………………………………………………

And at any adjournment thereof.

Signed/Sealed this …………. Day of ……………………………... 2015

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

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TransCentury
Investing in Africa

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