TransCentury
Investing in Africa

2011 Annual Report & Financial Statements


9409

Contents

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Nairobi Serena Hotel on Thursday 24th May 2012 at 10a.m. to conduct the following business:

AGENDA

ORDINARY BUSINESS

1. To read the notice convening the meeting and determine if a quorum is present;
2. To receive, consider and if approved, adopt the Chairman's statement, reports of the Directors and Auditors and audited financial statements for year ended 31st December, 2011;
3. To declare payment of a first and final Dividend recommended by the Board of Kshs 68,487,571/= (Kshs 0.25/= per share) for the year ended 31st December, 2011 to the shareholders in the Register of Members as at 12th April, 2012;
4. To elect Directors in accordance with the Company's Articles of Association:
   In accordance with the Company's Articles of Association, Mr. Ngugi Kiuna and Ms. Carol Musyoka retire by rotation from the office as Directors of the Company and, being eligible, they all offer themselves for re-election;
5. To approve the Directors' Remuneration; and
6. To note that KPMG Kenya Certified Public Accountants having expressed willingness, continue in office as the Auditors by virtue of section 159 (2) of the Companies' Act (Cap 486) and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

1. To amend the Articles of Association of the Company to remove the requirement of publishing notices and other information regarding the Company in more than one daily newspaper. In this regard, the following resolutions are proposed as **SPECIAL RESOLUTIONS:**

   "the Articles of Association of the Company be and are hereby amended by deleting the last paragraph of Article 64 and replacing it with the following new paragraph:

   Such notice may also be given by publishing a notice in one local daily newspaper with national circulation for one day. Where a notice is published in a daily newspaper, it shall be deemed to be served on the day on which it is first published."

   "the Articles of Association of the Company be and are hereby amended by deleting the last sentence of Article 158 and replacing it with the following new sentence:
   The Company may also send the Accounts to all persons entitled thereto by publishing the Accounts on the Company's official website provided that the Company shall send to every member or publish a summary of the financial statements and Auditors report in one daily newspaper with national circulation for one day drawing attention to the website on which the Accounts in full may be read and the address to which a request for a printed copy of the Accounts may be submitted to the Company Secretary and upon any such publication the Accounts shall be deemed to have been sent to every member or other person entitled to receive a copy of the Accounts."

   "the Articles of Association of the Company be and are hereby deleting paragraph (b) of Article 166A and replacing it with the following new paragraph (b):
   to the extent permitted by law, it is made available on a website provided that, in the case of any notice to Members or any documents to be sent to Members under the provisions of Article 125, the Company shall contemporaneously publish the notice or (as the case may be) an abridged set of the balance sheet and income statement in one daily newspaper with nationwide circulation drawing attention to the website on which the notice and the full text of any other documents may be read, and the address to which a request for a hard copy of such documents may be submitted. To the extent permitted by law, upon such publication in the daily newspaper, the documents in question shall be deemed to have been sent to every Member or other person entitled to receive a copy of the documents."

2. To authorise the Directors of the Company to allot and issue shares of the Company for purposes of raising capital and, accordingly, the following resolution is proposed to be passed as a **SPECIAL RESOLUTION** of the Company:
   "The Directors of the Company be and are hereby authorised to allot and issue shares of the Company to such investors as they may approve in connection with any capital raising exercise of the Company, with the terms and conditions of such exercise to be determined by the Directors."

3. To authorise the Directors of the Company to acquire or invest in the debt and/or equity capital of any local or foreign entity on such terms as the Directors shall determine. Accordingly, the following resolution is proposed to be passed as a **SPECIAL RESOLUTION** of the Company:

"The Directors of the Company be and are hereby duly authorised to acquire or in any manner invest in the debt and/or equity capital of any subsidiary, affiliated company or other entity, whether local or foreign, on such terms as may be determined by the Directors provided however that the total consideration payable by the Company in respect of any such acquisition or investment shall not exceed KES 5,000,000,000 (five billion Kenya Shillings) in aggregate value in respect of any single transaction or series of transactions and the Directors are hereby authorised to settle such amount in cash or by the allotment and issue of shares of the Company or both (whether partial or otherwise).

4. To authorise the Directors of the Company to re-organise the debt and/or equity capital structure of the Company and its subsidiaries on such terms and in such manner as the Directors of the Company shall from time to time require and, accordingly, the following resolution is proposed to be passed as a **SPECIAL RESOLUTION** of the Company:
"The Directors of the Company be and are hereby authorised to carry out such re-organisation of the debt and/or equity capital structure of the Company and/or its subsidiaries and/or other investments on such terms and in such manner as the Directors of the Company shall from time to time determine where such reorganisation does not involve the disposal or sale of assets or entities by the Group to a person outside the Group."

5. To authorise the Directors of the company to dispose of the Company's holdings or investments in any other entity including any subsidiary company or affiliate and the following resolution is proposed to be passed as a **SPECIAL RESOLUTION** for this purpose:
"The Directors of the Company be and are hereby duly authorised to sell, transfer or otherwise dispose of any of its holdings or other investments in any entity including any subsidiary or affiliated company on such terms and on such conditions as may be determined by the Directors provided however that the total consideration payable in respect of any such sale or disposal shall not exceed KES 5,000,000,000 (five billion Kenya Shillings) in aggregate value in respect of any single transaction or series of transactions."

BY ORDER OF THE BOARD

COMPANY SECRETARY

NB: In accordance with section 136(2) of the Companies Act (Cap.486) every member entitled to attend and vote at the above meeting is entitled to appoint proxy to attend and vote on his behalf. A proxy need not be a member. A form of proxy is enclosed and should be returned to the secretaries, P.O. Box 61120 00200 Nairobi, to arrive not later than 48 hours before the meeting or any adjournment thereof.

Date: Monday 16th April 2012

P.O. Box 61120 00200

NAIROBI

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 30 years. He is a founder member and Chief Executive Officer of Abcon Group of Companies, a leading distributor of industrial chemicals. He is also a director of Proctor & Allan EA Ltd, Real Insurance and Zeniki Investment Ltd.

Dr. Gachao Kiuna,
Chief Executive Officer and Managing Director
Gachao joined Trans-Century 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.

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

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 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.

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. He is a member of the Association of Financial Analysts.

Njeru Kirira, ***Director***

Mr. Kirira graduated with a Masters degree in Public Administration (MPA) from the University of Pittsburgh and BA (Hons) from Makerere University in Economics and Agricultural 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 appointment as the Financial Secretary to the Treasury. He has consulted with various local and regional organisations on economics and public administration, and He is also serves as a council member for Inoorero University in Nairobi.

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 and Phillip Morris across East Africa. His professional experience has involved working as a Managing Director of Holman Bros EA (John Deere) and as a Managing Director of Diversey (Unilever). His other directorships include BOC Gases Kenya Ltd, Proctor & Allan (EA) Ltd, UBA Bank (Kenya) Ltd and X & R Technologies (Xerox).

Carol Musyoka, ***Director***

Ms. Carol Musyoka has over 10 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 of K-Rep Bank, Corporate Director of Barclays Bank and a Corporate Manager with Citibank Kenya. Carol received her Masters of Law degree from Cornell University, USA and holds a Bachelor of Law degree from the University of Nairobi. She is currently a director of BAT Kenya Ltd and Alliance Capital Partners as well as a Trustee at SOS Children's Villages.

The Board of Directors of Trans-Century Limited is responsible for the governance of the company and is accountable to the shareholders, ensuring that the company complies with the law, the highest standards of corporate governance, and business ethics.

BOARD OF DIRECTORS

The Board consists of eight directors of which seven are non executive (including the board chairman) and one is executive (the chief executive officer). All non-executive directors on Trans-Century'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 four times a year, with additional meetings when required. 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 Articles of Association.

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

EQUAL EMPLOYMENT OPPORTUNITIES AND COMMITMENT TO OUR PEOPLE

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.

COMMITTEES OF THE BOARD

The board has three standing committees which meet regularly under the terms of reference set by the board.

Audit and Risk Committee

The board has constituted an audit committee which meets at least quarterly. It includes four non-executive directors Ngugi Kiuna, Peter Kanyago, Robin Kimotho and Carol Musyoka 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 corporate finance and strategy, head of finance and group internal auditor are regularly invited.

Strategy and Investment Committee

The committee meets regularly, typically bi-monthly, and it includes two non-executive directors Zephaniah Gitau Mbugua and Ngugi Kiuna and the CEO. The main responsibility of the committee is to chart the strategy of the company and to oversee implementation of strategic decisions of the board. The head of corporate finance and strategy, and head of finance are regularly invited.

Nominations and Remuneration Committee

The committee meets at least quarterly and includes, three non-executive directors Zephaniah Gitau Mbugua, Joseph Karago and

Njeru Kirira 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 committees submit their findings and recommendations at the quarterly board meetings.

DIRECTORS EMOLUMENTS AND LOANS

The aggregate amounts of emoluments paid to the directors for services rendered during this financial year ended 2011 are disclosed in the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the company is a party, whereby a director might acquire benefits by means of acquisition of the company's shares. All business transactions with the directors or related parties are carried out at arm's length. Such transactions have been disclosed.

RISK MANAGEMENT AND 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.

Chairman's Statement

It gives me great pleasure to present to you the annual report and audited financial statements for the financial year ended 31 December 2011.

Overview of group performance

The financial year ended December 2011 was a successful year for TransCentury, which saw the company achieve 57% growth in Revenues and 38% growth in profit before tax, to KES10.7 billion and KES 869 million, respectively, while the company shareholder funds increased to KES 8.7 billion.

Overview of the business environment

The backdrop to this growth in the company was a challenging macroeconomic environment, largely led by continued uncertainty in the global economy, principally in the Eurozone area, which remains a key and influential economic partner of the Eastern Africa region. The region experienced volatility in exchange rates and interest rates throughout the year and was further impacted by the effects of high levels of domestic inflation. The Kenya Shilling, for instance, weakened from KES 78 KES per USD to KES 107 per USD, before strengthening to KES 82 per USD by end of the year. The other East African currencies also suffered from the same trend; The Tanzania Shilling and Ugandan Shilling weakened by 20% and 23% respectively, before actions by the Central Banks helped stabilize the rates. Inflation rates in the region also increased, with Kenya moving from 5.4% in January to peak at 19.7% in November 2011. Tanzania and Ugandan were not spared, with inflations rates peaking at 19.8% and 30% respectively.

Whilst traditionally, the region has learned how to deal with continually fluctuating currencies, the volatility and rapid depreciations, made for challenging times in most industries and even imposed significant hardships on consumers, impacting disposable incomes, given the import requirements of food and fuel. Despite the volatility, the regional economies continued to grow, with Kenya achieving a GDP growth rate of 4.3% for the 9 months ended September 2011, while Tanzania and Uganda grew at rates of 6.3% and 5.4% respectively, over the same period.

The region has also experienced positive news in respect of a burgeoning natural resources industry, with:

(i) The signing of the Uganda oil production sharing agreement;
(ii) The discovery of gas resources in Southern Tanzania and Mozambique;
(iii) The discovery of hydrocarbons in Kenya, and increased exploration activities in the East Africa region;
(iv) Development of new gold mines in Eastern Congo, Tanzania and Kenya;
(v) Increased development and exploration of industrial minerals at the coast of Kenya and Eastern Uganda; and
(vi) Increasing optimism of developing coal fields in the Eastern province of Kenya

With our growing populations and with the continued growth of the traditional sectors of the region, together with the potential boost of the natural resources finds, we remain committed to the market opportunities within our 3 key infrastructure pillars– Power, Transport & Engineering.

Capital Structure

Since the beginnings of TransCentury, we had planned to become a publicly listed group with aspirations of Investing in Africa. In 2011, we stayed true to these guiding principles by:

(i) Listing by introduction on the Nairobi Stock Exchange (Bloomberg Ticker - TCL:KN);
(ii) Launching our USD75 million convertible bond programme, which is listed on the Stock Exchange of Mauritius and, due to enjoying Eurobond status, trades in the European markets on the Euroclear and Clearstream platforms (a first in Eastern and Central Africa);
(iii) Transformational investments in respect of Civicon and Pende Electrical; and

(iv) Completion and first drawdown of the USD164 million Rift Valley Railways debt financing package, as well as the injection of the USD82 million of equity capital

Furthermore, in light of the positive performance for the year and the positive outlook for 2012, the board of directors proposes a dividend of KES 0.25 per share, a 25% increase on the previous year.

Appreciation

As we embark on an exciting 2012, I am again honoured to be in a position to be thanking the shareholders of the company for the continued support and commitment. I extend a warm welcome to all the new investors in the Group, who joined after the listing of the ordinary shares on the Nairobi Stock Exchange, as well as the institutional shareholder base that has invested by way of the convertible bond.

My fellow board members deserve a special vote of thanks, for their wise counsel and availability as we have deliberated on the weighty issues impacting our performance as well as the various transformational changes that we have engaged.

The members of the Group's staff performed outstandingly this year, yet again, in terms of their dedication, initiative, drive and passion. On behalf of the board and shareholders I say, "Asante Sana" and wish them all the best on path ahead in 2012.

Zephaniah Gitau Mbugua
Chairman

Chief Executive's Statement

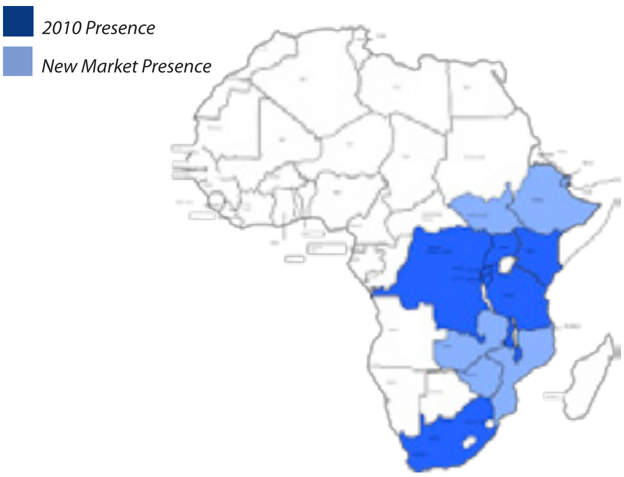
Dear Shareholders:

The financial year ended December 2011 was a landmark year for TransCentury, which saw the company:

- List on the Nairobi Stock Exchange;
- Issue the first ever listed Convertible Eurobond by an East African issuer; and
- Make transformative acquisitions to bolster our Power and Engineering Divisions

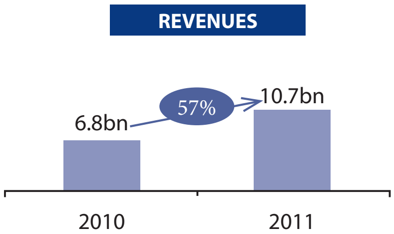
With this corporate activity, TransCentury is even better positioned to take advantage of the market opportunity in infrastructure across the region, which in our experience continues to display significant under-penetration in terms of service delivery.

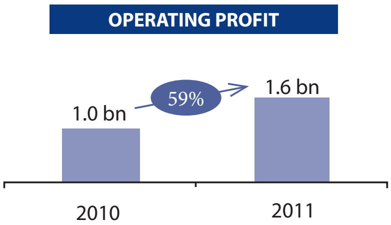
TransCentury has continued to expand its geographic coverage with a presence in 14 countries across East, Central and Southern Africa as at December 2011. This physical presence is bolstered by cross-border trade into the neighboring countries.

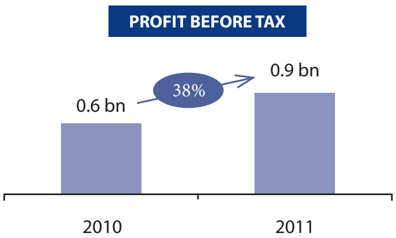


Group Performance

TransCentury continued the historical growth trajectory with an overall increase in revenues from KES 6.8 billion to KES 10.7 billion and Profit Before Tax up from KES 630 million to KES 869 million. Additionally, the group's total assets grew 93% to KES 21.7 billion and NAV grew 117% to KES 11.5 billion.





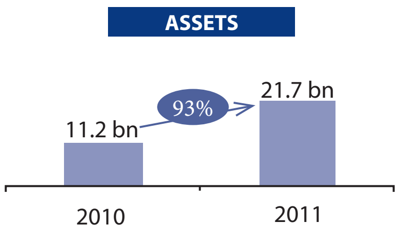


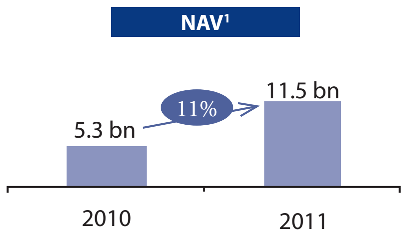
The growth of revenues and profits occurred in a back-drop of continued global economic turbulence, which given the increasing inter-linkages in the global economy has an impact on the domestic economies in which we operate. As such, Eastern Africa saw significant foreign exchange and interest rate volatility. Nevertheless, the underlying factors that drive growth in our target sectors remained strong, despite increased caution by players across industry:

- Residential and commercial developments continued in the main industrial centres such as Nairobi, Dar es Salaam, Kampala, Kigali and Juba. This trend was mirrored in the secondary urban areas, many of which are showing faster growth rates than capital cities or historical industrial hubs. We view the coming county government structure in Kenya, as having the potential to create even more demand.

- The utilities have continued to roll-out transmission and distribution networks, as they relentlessly achieve their stated objectives of addressing the low access to electricity across the region. Kenya Power, for instance, increased connections by 389,000 to 1.7 million in 2011
- Increasing urbanisation of populations and industrialisation is increasing demand for electricity. This growth is outstripping growth in power generation capacity. This however, is being mitigated by the admirable execution of new power generation projects across the region as the utilities race to close the gap
- Import cargo continues to grow, particularly at the Mombasa port and so there is increased pressure on the road infrastructure and a strengthening case for the railway
- The recent discovery of natural resources across the region is creating near-term construction activity to develop these newly-found blocks into producing areas and in the medium- to long-term will result in economic growth as the region benefits from the commercialisation of these finds

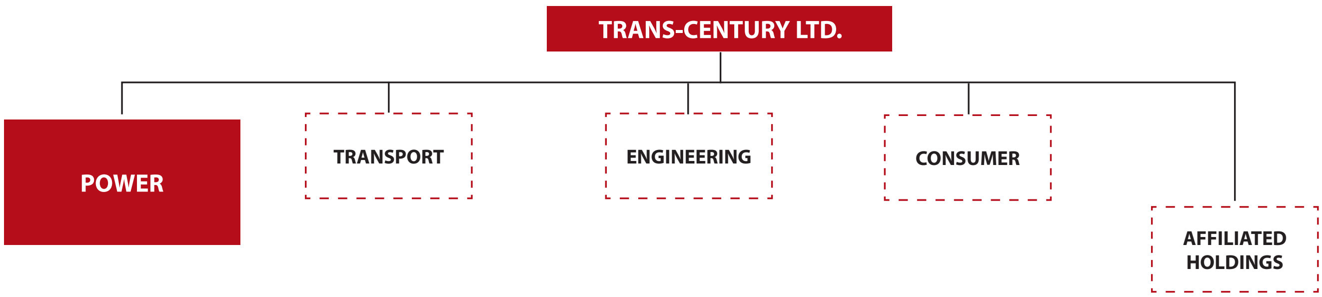
Meanwhile, the group experienced balance sheet expansion, with total assets growing from KES11.2 billion in 2010 to KES21.7 billion in 2011.





Note: 1. NAV includes TC Mauritius Convertible Bond.

Performance by Division

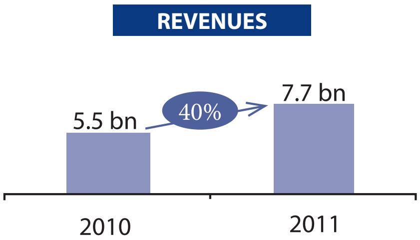


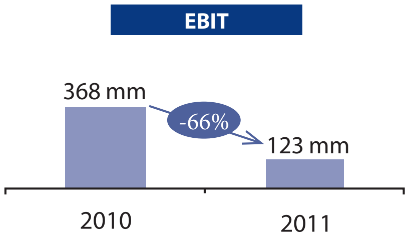
Business overview: Power

TransCentury's Power Division manufactures and distributes electrical cables, components and transmission equipment, across the following product range:

- Copper Cables: Interior power cables for residential, commercial and industrial developments, as well as exterior armoured cables for large-scale distribution of power
- Aluminium Cables: Transmission and distribution cables
- Specialty Cables: Mission-critical applications such as instrumentation, mining, oil & gas, airports and security
- Fibre Optic Data Cables: Interior and exterior applications
- Transmission Equipment: Transformers and Switchgear

Financial Performance





The division had 40% growth in revenues, from KES 5.5 billion to KES 7.7 billion, but experienced a decline in profitability to KES123 million.

Revenue growth arose from increased volumes across all key segments, with Copper growing 6%, Aluminium growing 25% and Transformers & Switchgear growing 102%. Revenues of East Africa Cables alone grew from KES 3.6 billion to KES 4.9 billion on account of the continued construction activity in Eastern Africa and grid roll-outs by the utilities. EAC continued to build its strong market positioning, driven by the quality of its products as well as strong awareness from the "Wire si Wire" campaigns which led to EAC achieving *"Superbrands"* status.

The impressive revenue growth at East African Cables, resulted in a profit uplift, as well as the benefits from the turn-around of the Tanzanian operations, which had been challenged in the previous year. Overall, EAC delivered an EBIT of KES 577 million up from KES 303 million in the previous year. Nevertheless, even this impressive performance was tempered by the foreign exchange volatility experienced in the year. Whilst the group has traditionally been able to pass on the impact of commodity price increases, the rapid depreciation impacted existing inventories. It should be noted that TSH, KES and USH depreciated -27% in 2011 and rallied in the year to recover at -6% compared to opening of the year. The impact of this was felt most strongly by the Transformer & Switchgear segment.

Kewberg's revenues remained relatively flat year-on-year, with South Africa's main infrastructure projects being delayed as well as general challenges with labour across the metal industry in South Africa, including a general strike of workers that led to production shut-down, and eventually culminated in a negotiated industrial settlement that saw the cost of unionised staff increase. This undoubtedly had a negative impact on the company's earnings.

In response to this, the Division's management team rallied to manage this situation as best as practicable through price management and cost cutting, including retrenchment exercises in Tanzania, Kenya and South Africa.

We indicated to shareholders in 2010 that the Company invested in a copper plant in the DRC and in 2011 we acquired a new business in Zambia, entering markets where we see large potential for future growth. Both these entities are in the ramp-up phase which we have planned for. As such, we have continued to expense investments in DRC and Zambia, which impacted the Division's earnings in 2011.

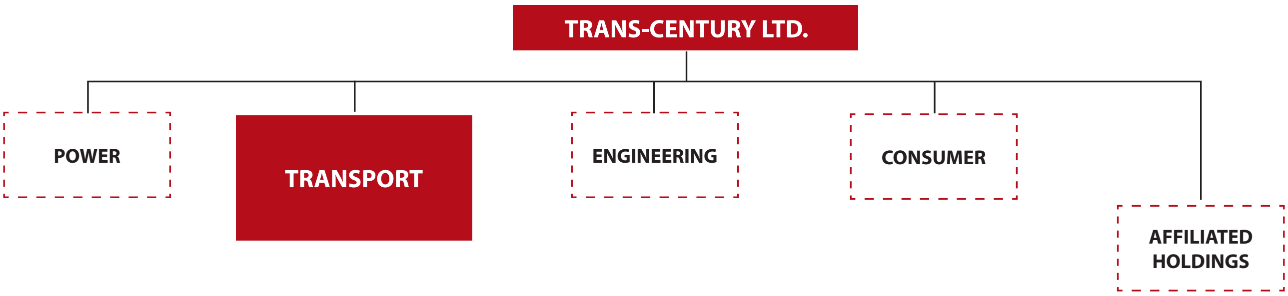
Investing in the future

In 2011, the Power Division invested KES 111 million of capex. This is lower than in previous years, when as you may recall, we tripled capacity across the Division, as we viewed 2011 and 2012 as consolidation years. Nevertheless this reflects continued commitment to positioning the business for the future.

Outlook

We expect continued organic growth within the Power division, as we continue to see strong demand, particularly in copper cables. Near-term opportunities include:

- Continued grid roll-out by the utilities
- Increased spending at the county-level in Kenya as the newly devolved government structure is implemented
- New phases of successful large-scale commercial and residential developments, as well as the development of greenfield sites. This sector offers significant promise with ambitious projects including Konza City, Tatu City, Migaa, Thika Greens, Longonot Park, Aberdares and Vipingo Ridge
- Expected improvement of macro-economic conditions throughout the year, as projected by the World Bank, should ensure continued growth in the real estate and construction industries



Business Overview: Transport

The Transport Division comprises TransCentury's 34% shareholding in Rift Valley Railways (RVR), the 25-year concession to operate the Kenya-Uganda railway. The railway line begins at the port of Mombasa, and runs along the Northern Corridor, through most key urban areas in Kenya including Nairobi and onwards to Uganda's capital city of Kampala and then to the west of Uganda, where the oil fields are situated.

Financial Performance

In 2011 the company kicked off the turnaround effort aimed at increasing capacity of the railway, with the following being the key milestones:

- Signing and first drawdown by RVR of the $164 million debt package in December 2011
- USD82 million capital injection by the shareholders
- Final appointments of key management positions

Investing in the Future

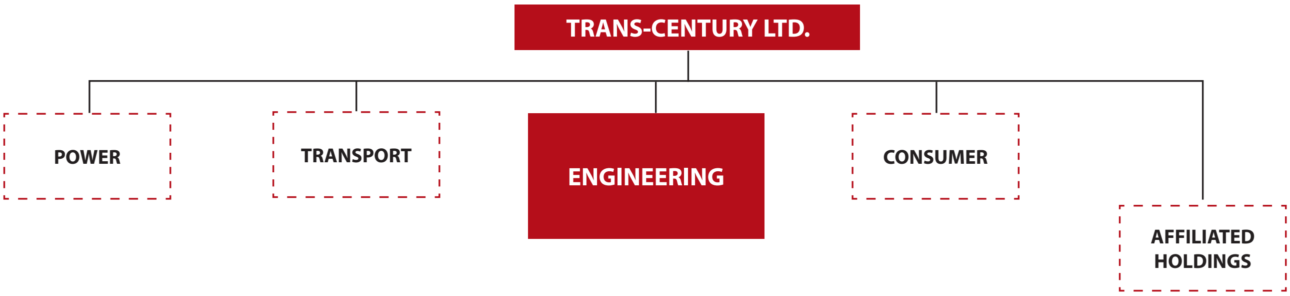
RVR has begun its USD 287 million 5-year turnaround programme, with the first projects being :

- Track improvement
- Wagon refurbishment
- Locomotive refurbishment
- IT Systems upgrades

Outlook

The outlook for RVR is very promising given progress that we achieved in 2011. Demand for the railway continues to be strong, with Mombasa port posting growth, with container traffic posting an increase of 12.5%. Though the railway only evacuates 8% of port traffic, the expected turnaround process is aimed at tripling the capacity of the railway, and increasing the railway's contribution to 25% of current port traffic within the next five years.

With the drawdown of financing and the capital investment by shareholders, RVR now has the capital it needs to execute on the turnaround plan. The plan will go a long way in improving transport efficiency and facilitating economic growth within the Northern Corridor.



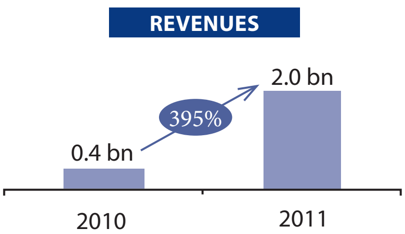
Business Overview: Engineering

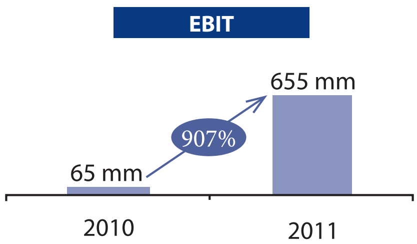
TransCentury's Engineering Division historically distributed and serviced weighing equipment, video-jet printers and generators for the Avery, Video-Jet and Power Source-Perkins brands, respectively.

We have made the following inorganic additions to the Division:

1. Investment in Civicon, a leading mechanical and civil engineering contractor and out-of-gauge logistics operator with a customer base in downstream oil and gas, upstream oil and gas, power generation, manufacturing and roads authorities.
2. Exclusive distribution agreement for SDMO generators in Tanzania

Financial Performance





Revenue and earnings grew in the division through a combination of organic business and the investment in Civicon. The market for weighing equipment and video jets continues to be stable as these are common staples of the manufacturing industry. Whilst the incoming engineering business had a strong year across its project related activities across the region.

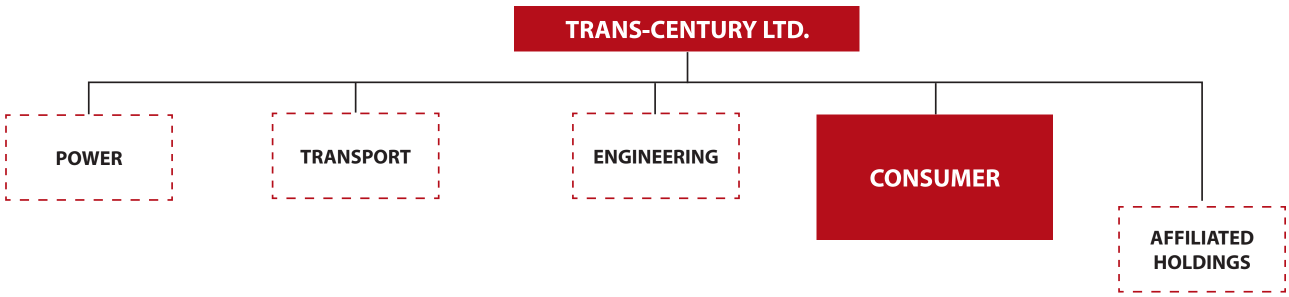
Investing in the Future

TransCentury made a large investment to bolster the Engineering division in 2011 by investing in Civicon, driven by our belief in the long term growth prospects of the regional infrastructure opportunity. The investment positions TransCentury to actively participate in infrastructure development across the region going forward.

Outlook

Demand for Engineering remains strong, as evidenced by a strong order book for 2012, 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
- 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 DRC and Tanzania

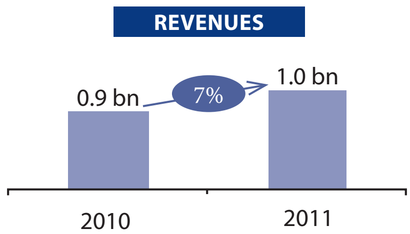


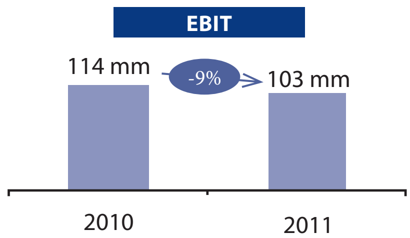
Business Overview: Consumer

Through Chai Bora, TransCentury's Consumer division blends, packs and distributes high quality tea and herbal infusions across Tanzania. The Chai Bora brand is currently the market leader in Tanzania and continues to benefit from strong growth in Tanzania's per capita tea consumption. The company was the first ISO 22000 certified tea blender in the region, and remains the only such blender in Tanzania as a mark of quality.

In 2011, the business made positive strides in its regional expansion, entering the Kenyan market with tea and herbal infusion products now sold in Uchumi, Chandarana and Healthy U retail outlets.

Financial Performance





Our Consumer Division continued its positive contribution to the group profitability, with revenues growing from KES 0.9bn in 2010 to KES 1.0 bn in 2011 despite the plant operating now at near full capacity. Macro economic factors, including the volatile currency and increase in raw material and fuel costs, impacted margins. However, due to management's intervention, the erosion was arrested (hence profitability is flat) and the company is expecting further uplift from cost-cutting:

- Reduction in staff numbers
- Chang in packaging to reduce materials

Investing in the Future

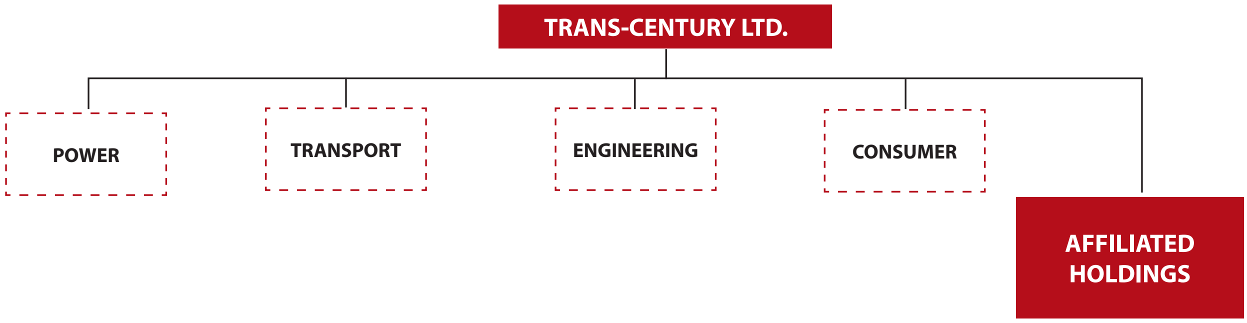
In 2011 Chai Bora launched a capital investment programme targeting the increase in production capacity, with the aim of increasing production efficiencies going forward. This will reduce capacity constraints in the future, and provide the company with ample capacity for growth.

Outlook

The fundamentals for Chai Bora are strong, and give us confidence of the opportunity for Chai Bora. Key drivers of growth going forward are as follows:

- *per capita tea consumption dynamics*: Tanzanian market consumes one third of tea per capita compared to Kenya. As distribution channels improve, per capita consumption of tea will converge closer to Kenya, which creates a tremendous opportunity for growth
- *Tanzania's strategic position as a member of both the East African Community and the South African Development Community:* Positioned to easily access two key trading blocs as attractive export market destinations. We believe that this positions Chai Bora well for continued regional expansion
- *Regional emphasis on infrastructure is opening up new distribution destinations:* Investment in transport infrastructure in Tanzania and the region will open up new distribution destinations for Chai Bora and in turn drive organic growth of the business, primarily across SADC and EAC regions

- *Robust growth in Tanzania's economy:* The Country's Per capita GDP has grown at an average of 10% Per capita GDP growth since 2003, making it one of the fastest growing nations globally



Business Overview: Affiliated holdings

Within our Affiliated Holdings Division, TransCentury has:

- Karen Land: 6 acre prime plot located in Nairobi's affluent suburb of Karen. The property is strategically located next to the vibrant Karen Shopping Centre
- Development Bank of Kenya: TransCentury owns a 10.7% stake in Development Bank of Kenya
- Private Equity Funds: TransCentury holds strategic investments in various international Private Equity Funds, including Aureos, Helios and Business Partners International

Capital Structure

The Company engaged in two major capital markets exercises in 2011:

- ***Convertible Bond Issuance***

  TransCentury issued the first ever Listed Convertible EuroBond Programme by an East African issuer, continuing in the pioneering culture of the Group. The $75m Convertible Bond Programme is listed on Stock Exchange of Mauritius, and convertible into shares of TransCentury on the Nairobi Stock Exchange.

  The Convertible Bond Programme enabled TransCentury to raise the capital required to invest in our equity participation in RVR, as well as for our investments within the year.

- ***Listing of the ordinary shares, by way of introduction, on the Nairobi Stock Exchange***

  Listing on the Nairobi Stock Exchange, by way of a listing by introduction, provided a broader shareholder base of shareholders with an opportunity to participate in the significant upside growth that the infrastructure sector provides.

Finance Costs

TransCentury's finance cost was also impacted by the volatility of Interest Rates in Kenya, as our local banks increased base lending rates. These two factors lead to the increase of TransCentury's net finance costs from KES 343m in 2010 to KES 748m in 2011. Our Key concern in 2012 is to focus on our domestic debt profile as we are concerned about the interest rate environment and the impact on our business going forward.

Dividends

The directors are recommending dividend of KES 0.25 (2010: KES 0.20) per share in view of the profitability we had in 2011 and as a reflection of the growth of the company.

Appreciation

I would like to extend my appreciation to the board and shareholders of TransCentury for their continued support. I also want to thank our dedicated management and staff across all our divisions, for their hard work and quick response to market challenges and market opportunities.

I look forward to working together to achieve a successful and prosperous 2012.

Yours Sincerely,
Dr. Gachao Kiuna
Chief Executive Officer

Directors, Officers and Administration

DIRECTORS

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

SECRETARY

Virginia Ndunge
Emu Registrars
3rd Floor, Suite 8, East wing
The Greenhouse
Ngong Road
P.O Box 61120
00200 Nairobi City Square

AUDITORS

KPMG Kenya
16th Floor, Lonrho House
Standard Street
P.O Box 40612
00100 Nairobi GPO

REGISTERED OFFICE

Emu Registrars
3rd Floor, Suite 8, East wing
The Greenhouse
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00200 Nairobi City Square

PRINCIPAL PLACE OF BUSINESS

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

ADVOCATES

Muthaura Mugambi Ayugi & Njonjo Advocates
4th floor, West Wing, Capitol Hill Square
Upperhill, Off Chyulu Road.
P.O Box 8418
00200 Nairobi City Square
Nairobi

Kaplan & Stratton Advocates
9th Floor, Williamson House
P.O Box 40111
00100 Nairobi GPO

SHARE REGISTRARS

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

BANKERS

National Industrial Credit Bank Limited
P.O Box 44599
00100 Nairobi GPO

Commercial Bank of Africa Limited
P.O Box 30437
00100 Nairobi GPO

Kenya Commercial Bank Limited
Chase Bank
P.O Box 66015-00800
Nairobi, Kenya

Equity Bank
P.O Box 75104-00200,
Nairobi, Kenya

Standard Chartered Bank
48 Westlands Road,
Nairobi, Kenya
P.O Box 30081
00100 Nairobi GPO

Co-operative Bank of Kenya Limited
P.O Box 48231
00100 Nairobi GPO

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

Citi Bank NA
P.O Box 30711
00100 Nairobi GPO

Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2011, which disclose the state of affairs of the company and the group.

1. Activities

The group's principal activity is that of investing in infrastructure and engineering opportunities across Africa.

2. Results

The results for the year are set out on page 21.

3. Dividends

The directors recommend the payment of a first and final dividend of KShs 0.25 (2010 - KShs 0.20) per share which amounts to KShs 68,487,571 (2010 – KShs 53,407,618).

4. Directors

The directors who served since 1 January 2011 are set out on page 17.

5. Auditors

The auditors, 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 22 March 2012.

BY ORDER OF THE BOARD

Secretary

Date: 22 March 2012

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the group and company financial statements of Trans-Century Limited set out on pages 21 to 67 which comprise the group and company statements of financial position at 31 December 2011, the group statement of comprehensive income, group and company statements of changes in equity and group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 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 conformity 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 group and the company's ability to continue as a going concern and have no reason to believe the group and the company 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 financial statements, as indicated above, were approved by the Board of Directors on 22 March 2012
and were signed on its behalf by:

Director	Director
Zephaniah Mbugua	Gachao Kiuna

Report of the Independent Auditors

to the members of TransCentury Limited

KPMG Kenya
Public Accountants
16TH Floor, Lonrho House
Standard Street
P.O. Box 40612 00100 GPO
Nairobi Kenya

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

We have audited the group and company financial statements of Trans-Century Limited set out on pages 21 to 67 which comprise the group and company statements of financial position at 31 December 2011, the group statement of comprehensive income, group and company statements of changes in equity and group statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 19, 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.

Auditor's 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 Group and Company financial position of Trans-Century Limited at 31 December 2011, and of the group 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

KPMG Kenya

Date: 22 March 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 KShs'000	2010 KShs'000
Revenue		10,701,621	6,794,650
Cost of sales		(7,676,422)	(4,718,393)
Gross profit		3,025,199	2,076,257
Net other income	5	953,743	688,460
Distribution, administration and operating expenses		(2,036,391)	(1,348,889)
Profit before depreciation, impairment and finance cost		**1,942,551**	**1,415,828**
Impairment losses	6	11,990	(206,078)
Depreciation and amortisation	6	(336,478)	(235,479)
Results from operating activities	**6**	**1,618,063**	**974,271**
Finance income	7	59,875	90,024
Finance cost	7	(808,673)	(433,710)
Net finance cost		**(748,798)**	**(343,686)**
Profit before income tax		**869,265**	**630,585**
Income tax expense	8	(253,165)	(162,323)
Profit after income tax		**616,100**	**468,262**
Other comprehensive income			
Revaluation of property, plant and equipment, net of deferred tax		196,859	534,206
Net change in fair value of available-for-sale financial assets		(183,220)	429,499
Available-for-sale released on disposal of quoted shares		(29,803)	134,962
Exchange differences on translation of foreign subsidiaries		(139,162)	282,020
Other comprehensive income net of income tax		**(155,326)**	**1,380,687**
Total comprehensive income for the year		**460,774**	**1,848,949**
Profit after tax is attributable to:			
Equity holders of the company		356,665	343,713
Non-controlling interest		259,435	124,549
Profit for the year		**616,100**	**468,262**
Total comprehensive income for the year attributable to:			
Equity holders of the company		210,377	1,328,552
Non-controlling interest		250,397	520,397
Total comprehensive income		**460,774**	**1,848,949**
BASIC EARNINGS PER SHARE - (KShs)	**22(a)**	**1.32**	**1.29**
DILUTED EARNINGS PER SHARE - (KShs)	**22(a)**	**1.23**	**1.29**
DIVIDEND PER SHARE - (KShs)	**22(b)**	**0.25**	**0.2**

The notes set out on pages 29 to 67 form an integral part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2011

ASSETS	Note	2011 KShs'000	2010 KShs'000
Non current assets			
Property, plant and equipment	9	5,818,209	3,733,378
Investment property	10	474,003	345,502
Prepaid operating lease rentals	11	157,904	160,200
Intangible assets	12	2,054,194	371,129
Quoted investments	13(a)	50,135	93,625
Unquoted investments	13(b)	3,034,588	1,520,955
Investments in funds	14	767,553	914,268
Deferred tax asset	24(a)	74	2,720
		12,356,660	7,141,777
Current assets			
Inventory	16	1,709,228	1,944,264
Trade and other receivables	17	4,874,472	1,913,833
Tax recoverable		42,542	29,520
Cash and cash equivalents	18	2,759,356	207,084
		9,385,598	4,094,701
TOTAL ASSETS		**21,742,258**	**11,236,478**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 25 - 26)			
Share capital	19	136,975	133,519
Share premium	20	379,717	106,684
Revenue reserves	21(a)	2,757,355	2,407,642
Translation reserve	21(b)	241,201	367,556
Available-for-sale reserve	21(c)	234,659	447,682
Revaluation reserve	21(d)	620,572	434,989
Proposed dividends	22(b)	68,488	53,408
Total equity attributable to equity holders of the company		4,438,967	3,951,480
Non-controlling interest		2,580,702	1,341,974
Convertible bond	23	4,452,798	-
Total equity		**11,472,467**	**5,293,454**
Non current liabilities			
Deferred tax liability	24(b)	618,213	590,746
Provision for staff gratuity		29,477	25,533
Long term loan – non-current portion	25	2,965,304	2,755,239
		3,612,994	3,371,518
Current liabilities			
Bank overdraft	18	263,953	234,504
Long term loan – current portion	25	1,337,928	814,737
Trade and other payables	26	4,646,125	1,386,879
Tax payable		379,335	104,060
Unclaimed dividends		101	38
Aureos Fund – other members	14	29,355	31,288
		6,656,797	2,571,506
Total liabilities		**10,269,791**	**5,943,024**
TOTAL EQUITY AND LIABILITIES		**21,742,258**	**11,236,478**

The financial statements on pages 21 to 67 were approved by the Board of Directors on 22 March 2012 and were signed on its behalf by:

Director: Zephaniah Mbugua

Director: Gachao Kiuna

The notes set out on pages 29 to 67 form an integral part of these financial statements.

Company Statement of Financial Position

as at 31 December 2011

ASSETS	Note	2011 KShs'000	2010 KShs'000
Non current assets			
Property, plant and equipment	9	9,026	7,965
Investment property	10	265,000	165,000
Intangible assets	12	31	100
Quoted investments	13(a)	50,135	93,625
Unquoted investments	13(b)	213,751	272,193
Investment in subsidiaries	13(c)	8,766,455	6,963,115
Investments in funds	14	767,553	914,268
Loans to subsidiaries	15	632,658	623,900
Deferred tax asset	24(a)	74	125
		10,704,683	9,040,291
Current assets			
Trade and other receivables	17	469,649	223,483
Tax recoverable		4,147	4,147
Loans to subsidiaries	15	116,724	124,235
Cash and cash equivalents	18	-	40,509
		590,520	392,374
TOTAL ASSETS		**11,295,203**	**9,432,665**
EQUITY AND LIABILITIES			
Capital and reserves (Pages 27 - 28)			
Share capital	19	136,975	133,519
Share premium	20	379,717	106,684
Revenue reserves	21(a)	577,831	628,754
Available-for-sale reserve	21(c)	7,530,266	6,010,514
Proposed dividends	22(b)	68,488	53,408
Total equity attributable to equity holders of the company		8,693,277	6,932,879
Total equity		**8,693,277**	**6,932,879**
Non current liabilities			
Long term loan – non-current portion	25	2,309,995	2,166,657
Current liabilities			
Bank overdraft	18	41,899	94
Long term loan – current portion	25	145,913	232,483
Trade and other payables	26	74,663	69,226
Unclaimed dividends		101	38
Aureos Fund – other members	14	29,355	31,288
		291,931	333,129
Total liabilities		**2,601,926**	**2,499,786**
TOTAL EQUITY AND LIABILITIES		**11,295,203**	**9,432,665**

The financial statements on pages 21 to 67 were approved by the Board of Directors on 22 March 2012 and were signed on its behalf by:

Director: Zephaniah Mbugua

Director: Gachao Kiuna

The notes set out on pages 29 to 67 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 KShs'000	2010 KShs'000
Net cash flows from operating activities			
Profit before taxation		869,265	630,585
Adjustment for non-cash items		(217,627)	174,374
Operating profit before working capital changes		**651,638**	**804,959**
Increase in trade and other receivables		(1,384,693)	(205,933)
Decrease/(increase) in inventories		260,910	(472,128)
Decrease in Aureos Fund - Other member		(1,933)	(4,301)
Increase in trade and other payables		2,735,898	570,563
Increase in provision for staff gratuity		3,944	3,870
Cash generated from operations		**2,265,764**	**697,030**
Income tax paid		(250,694)	(157,965)
Dividends paid to shareholders of the company		(53,408)	(14,764)
Dividend paid to minority interest		(109,090)	(60,194)
Net cash flows from operating activities		**1,852,572**	**464,107**
Cash flows from investing activities			
Purchase of property, plant and equipment		(147,849)	(627,341)
Purchase of intangible assets		(3,022)	(1,003)
Investments in subsidiaries, funds and other investments		(4,051,122)	(642,170)
Proceeds from disposal of property, plant and equipment		9,739	9,929
Proceeds from disposal of quoted shares		14,258	590,441
Net cash flows from investing activities		**(4,177,996)**	**(670,144)**
Cash flows from financing activities			
Net movement in loans and borrowing		118,960	(122,481)
Net proceeds from issue of convertible bond		4,452,798	-
Issue of additional shares		276,489	-
Net cash flows from financing activities		**4,848,247**	**(122,481)**
Net increase/(decrease) in cash and cash equivalents		**2,522,823**	**(328,518)**
Cash and cash equivalents at the end of the year	18	2,495,403	(27,420)
Cash and cash equivalents at the beginning of the year	18	(27,420)	301,098
Net increase/(decrease) in cash and cash equivalents		**2,522,823**	**(328,518)**

The notes set out on pages 29 to 67 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

2010	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 KShs'000
Balance at 1 January 2010	131,462	106,684	237,637	55,331	(27,580)	2,119,394	13,146	2,636,074	881,771	3,517,845
Total comprehensive income for the year net of tax										
Net profit after tax	-	-	-	-	-	343,713	-	343,713	124,549	468,262
Other comprehensive income										
Revaluation of property, plant and equipment	-	-	169,804	-	-	-	-	169,804	364,402	534,206
Transfer from non-controlling interest	-	-	27,548	-	22,952	-	-	50,500	(50,500)	-
Exchange adjustment	-	-	-	312,225	-	-	-	312,225	(30,205)	282,020
Available-for-sale arising during the year	-	-	-	-	429,499	-	-	429,499	-	429,499
Release on disposal of quoted shares	-	-	-	-	22,811	-	-	22,811	112,151	134,962
Total other comprehensive income	**-**	**-**	**197,352**	**312,225**	**475,262**	**-**	**-**	**984,839**	**395,848**	**1,380,687**
Total comprehensive income	**-**	**-**	**197,352**	**312,225**	**475,262**	**343,713**	**-**	**1,328,552**	**520,397**	**1,848,949**
Transactions with owners, recorded directly in equity contributions by and distributions to owners of the company										
Dividend paid 2009	-	-	-	-	-	-	(13,146)	(13,146)	(60,194)	(73,340)
Proposed dividends	-	-	-	-	-	(53,408)	53,408	-	-	-
Issue of additional shares	2,057	-	-	-	-	(2,057)	-	-	-	-
Total transactions with owners, recorded directly in equity	**2,057**	**-**	**-**	**-**	**-**	**(55,465)**	**40,262**	**(13,146)**	**(60,194)**	**(73,340)**
Balance at 31 December 2010	**133,519**	**106,684**	**434,989**	**367,556**	**447,682**	**2,407,642**	**53,408**	**3,951,480**	**1,341,974**	**5,293,454**

The notes set out on pages 29 to 67 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

2011:	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 KShs'000
Balance at 1 January 2011	133,519	106,684	434,989	367,556	447,682	2,407,642	53,408	3,951,480	1,341,974	5,293,454
Total comprehensive income for the year net of tax										
Net profit after tax	-	-	-	-	-	356,665	-	356,665	259,435	616,100
Other comprehensive income										
Revaluation of property, plant and equipment net of deferred tax	-	-	192,832	-	-	-	-	192,832	4027	196,859
Exchange adjustment	-	-	-	(126,107)	-	-	-	(126,107)	(13,055)	(139,162)
Available-for-sale arising during the year	-	-	-	-	(183,220)	-	-	(183,220)	-	(183,220)
Release on disposal of quoted shares	-	-	-	-	(29,803)	-	-	(29,803)	-	(29,803)
Total other comprehensive income	**-**	**-**	**192,832**	**(126,107)**	**(213,023)**	**-**	**-**	**(146,298)**	**(9,028)**	**(155,326)**
Total comprehensive income	**-**	**-**	**192,832**	**(126,107)**	**(213,023)**	**356,665**	**-**	**210,367**	**250,407**	**460,774**
Transactions with owners of the company, recorded directly in equity Contributions by and distributions to owners of the company										
Dividend paid	-	-	-	-	-	-	(53,408)	(53,408)	(109,090)	(162,498)
Proposed dividends	-	-	-	-	-	(68,488)	68,488	-	-	-
Issue of additional shares	3,456	-	-	-	-	-	-	3,456	-	3,456
Share premium from issue of shares	-	273,033	-	-	-	-	-	273,033	-	273,033
Transfer from non-controlling interest	-	-	(7,249)	(248)	-	61,536	-	54,039	(54,039)	-
Total transactions with owners, recorded directly in equity	**3,456**	**273,033**	**(7,249)**	**(248)**	**-**	**(6,952)**	**15,080**	**277,120**	**(163,129)**	**113,991**
Acquisition of subsidiary with non-controlling interest during the year	-	-	-	-	-	-	-	-	1,151,450	1,151,450
Balance at 31 December 2011	**136,975**	**379,717**	**620,572**	**241,201**	**234,659**	**2,757,355**	**68,488**	**4,438,967**	**2,580,702**	**7,019,669**

The notes set out on pages 29 to 67 form an integral part of the financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2010

2010:	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 2010	131,462	106,684	4,991,337	577,435	13,146	5,820,064
Total comprehensive income for the year net of tax						
Profit for the year	-	-	-	106,784	-	106,784
Other comprehensive income for the year						
Net change in fair value of available-for-sale financial assets	-	-	976,617	-	-	976,617
Available-for-sale reserve released on disposal of quoted shares	-	-	42,560	-	-	42,560
Total other comprehensive income	**-**	**-**	**1,019,177**	**-**	**-**	**1,019,177**
Total comprehensive income	**-**	**-**	**1,019,177**	**106,784**	**-**	**1,125,961**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the company						
Issue of ordinary shares	2,057	-	-	(2,057)	-	-
Dividend paid - 2009 final	-	-	-	-	(13,146)	(13,146)
Proposed dividends	-	-	-	(53,408)	53,408	-
Total transactions with owners for the year	**2,057**	**-**	**-**	**(55,465)**	**40,262**	**(13,146)**
Balance as at 31 December 2010	**133,519**	**106,684**	**6,010,514**	**628,754**	**53,408**	**6,932,879**

The notes set out on pages 29 to 67 form an integral part of the financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2011

2011:	Share capital KShs '000	Share premium KShs '000	Available for sale reserve KShs '000	Retained reserves KShs '000	Proposed dividends KShs'000	Total KShs'000
Balance at 1 January 2011	133,519	106,684	6,010,514	628,754	53,408	6,932,879
Total comprehensive income for the year net of tax						
Profit for the year	-	-	-	17,565	-	17,565
Other comprehensive income for the year						
Net change in fair value of available-for-sale financial assets	-	-	1,549,555	-	-	1,549,555
Available-for-sale reserve released on disposal of quoted shares	-	-	(29,803)	-	-	(29,803)
Total other comprehensive expense	**-**	**-**	**1,519,752**	**-**	**-**	**1,519,752**
Total comprehensive income	**-**	**-**	**1,519,752**	**17,565**	**-**	**1,537,317**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners of the company						
New shares issued during the year	3,456	273,033	-	-	-	276,489
Dividend paid	-	-	-	-	(53,408)	(53,408)
Proposed dividends	-	-	-	(68,488)	68,488	-
Total transactions with owners for the year	**3,456**	**273,033**	**-**	**(68,488)**	**15,080**	**223,081**
Balance as at 31 December 2011	**136,975**	**379,717**	**7,530,266**	**577,831**	**68,488**	**8,693,277**

The notes set out on pages 29 to 67 form an integral part of the financial statements.

1. REPORTING ENTITY

Trans-Century 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 2011 comprise the company and its subsidiaries (together referred to as the "Group"). The address of its registered office is as follows:

Emu Registrars
3rd Floor, Suite 8, East wing
The Greenhouse
Ngong Road
PO Box 61120
00200 Nairobi City Square

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

- Available-for-sale financial assets are measured at fair value; and
- Investment property is measured at fair value.
- Property and equipment are measured at revalued amounts.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

The key areas of judgement in applying the entities accounting policies are dealt with in the respective accounting policy note or/and disclosure note.

(e) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2. BASIS OF PREPARATION (continued)

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.

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:

(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

IInterest 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. 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 accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

Subsidiary	Country of incorporation	2011 %	2010 %
Cable Holdings Limited	Kenya	94.8	94.8
East African Cables Limited	Kenya	64.3	63.3
Avery (East Africa) Limited	Kenya	94.4	94.4
Trans-Century Holdings (Pty) Limited	South Africa	100.0	100.0
Tanelec Limited	Tanzania	70.0	70.0
Crystal Limited	Tanzania	100.0	100.0
Chai Bora	Tanzania	95.0	95.0
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
Cableries du Congo Sprl	Democratic Republic of Congo	100.0	100.0
Safari Rail Co. Ltd	Mauritius	100.0	100.0

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investment in associates and joint controlled entities are accounted for using the equity method and are recognised initially at cost.

(iii) Venture capital

Investment in Rift Valley Railways (RVR) Investments Pty Limited 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.

(iv) Transactions eliminated on consolidation

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Translation of foreign currencies (continued)

(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.

(d) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost 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%
• Heavy commercial vehicles	12.5%

The assets' residual values, depreciation methods and useful lives are reviewed and adjusted as appropriate at each reporting date.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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. Good will 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories (continued)

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, stocks 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 debtors

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 plan

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 one of the subsidiaries are eligible to a gratuity upon retirement based on 23 days pay for each completed year of service at current salary. A provision is made in the financial statements for the estimated liability of such gratuity payable. Movements in the provision 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.

(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 recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

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 calculated on the basis of the tax rates enacted at the reporting date.
that it is no longer probable that the related tax benefit will be realised. Deferred tax is calculated on the basis of the tax rates enacted at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 receivables 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.

(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 trading instruments 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.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial Instruments (continued)

(iii) Measurement (continued)

Amortised cost is calculated on the effective interest rate 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.

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) 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 purchase method. Goodwill represents the difference between the cost of acquisition 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. Negative goodwill 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 the basis of the expected useful lives.

(iii) Brand

Acquired assets are capitalised and stated 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.

(q) 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 amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(r) Provisions

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

(s) Comparatives

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements. These are summarised below and are not expected to have a significant impact on the consolidated financial statements of the Group:

- IFRS 9 'Financial Instruments'. IFRS 9 will become mandatory for the Group's 2015 consolidated financial statements.
- IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 'Employee Benefits (Amended)' (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (2011) Separate Financial Statements (effective 1 January 2013).
- IAS 28 (2011) Investments in Associates and Joint Ventures (effective 1 January 2013).
- Amendments to IAS 1 'Presentation of items of other comprehensive income' (effective 1 July 2012).
- Amendments to IAS 12 'Deferred tax: Recovery of underlying assets statements' (effective 1 January 2012)
- Amendments to IFRS 7 'Disclosures – Transfer of financial assets' (effective for annual period beginning 1 July 2011).

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:

	2011 KShs'000	2010 KShs'000
Trade and other receivables	3,832,356	1,485,487
Cash and bank balances	2,759,356	207,084
Impairment losses		
The ageing of trade receivables at the reporting date was:		
Not past due	1,720,301	509,524
Past due 0-90 days	1,022,752	524,025
Past due 90-365 days	1,004,302	364,942
More than one year	289,745	262,950
	4,037,100	1,661,441
Net impairment	(204,744)	(175,954)
	3,832,356	**1,485,487**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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:

2011: **KShs'000**	**Due on demand**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Total**
Liabilities:					
Long term loans	-	1,337,928	-	2,965,304	4,303,232
Bank overdraft	263,953	-	-	-	263,953
Trade and other payables	-	-	4,646,125	-	4,646,125
Aureos Fund – other members	-	-	29,355	-	29,355
Total financial liabilities	**263,953**	**1,337,928**	**4,675,480**	**2,965,304**	**9,242,665**
2010:					
Liabilities:					
Long term loans	-	422,835	391,902	2,755,239	3,569,976
Bank overdraft	234,504	-	-	-	234,504
Trade and other payables	-	532,321	854,558	-	1,386,879
Aureos Fund – other members	-	-	31,288	-	31,288
Total financial liabilities	**234,504**	**955,156**	**1,277,748**	**2,755,239**	**5,222,647**

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:

	2011 KShs'000	2010 KShs'000
Cash and bank balances	2,734,100	42,184
Investments in funds	767,553	914,268
Unquoted investments	2,820,837	1,248,762
Bank overdraft	(53,304)	(37,146)
Bank loan	(1,814,697)	(468,789)
Shareholders loans	-	674,425
Net statement of financial position exposure	**4,454,489**	**2,373,704**

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2011 KShs	2010 KShs	2011 KShs	2010 KShs
USD	85.07	80.75	88.7	79.26

Sensitivity analysis

A 10 percent strengthening of the Kenya shilling against the following currencies 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 2010:

	Profit or loss KShs'000
At 31 December 2011:	
USD	**(445,449)**
At 31 December 2010:	
USD	**(237,370)**

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 reprice at different times or in differing amounts. Risk management activities are aimed at optimizing 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 2011:	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	-	-	-	-	50,135	50,135
Unquoted investments	-	-	-	-	3,034,588	3,034,588
Investments in funds	-	-	-	-	767,553	767,553
Trade and other receivables	-	-	-	-	3,832,356	3,832,356
Cash and cash equivalents	-	-	-	-	2,759,356	2,759,356
	-	**-**	**-**	**-**	**10,443,988**	**10,443,988**
Liabilities:						
Bank loans	10-23%	-	1,337,928	2,965,304	-	4,303,232
Bank overdraft	8-17%	263,953	-	-	-	263,953
Trade and other payables	-	-	-	-	4,646,125	4,646,125
Aureos Fund – other members	-	-	-	-	29,355	29,355
	-	**263,953**	**1,337,928**	**2,965,304**	**4,675,480**	**9,242,665**
Interest rate sensitivity gap	**-**	**(263,953)**	**(1,337,928)**	**(2,965,304)**	**5,768,508**	**1,201,323**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market risk (continued)

(ii) Interest risk - continued

As at 31 December 2010:	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	-	-	-	-	93,625	93,625
Unquoted investments	-	-	-	-	1,520,955	1,520,955
Investments in funds	-	-	-	-	914,268	914,268
Trade and other receivables	-	-	-	-	1,485,487	1,485,487
Cash and cash equivalents	-	-	-	-	207,084	207,084
		-	**-**	**-**	**4,221,419**	**4,221,419**
Liabilities:						
Bank loans	10%-15%	-	1,053,120	2,516,856	-	3,569,976
Bank overdraft	13%-14%	234,504	-	-	-	234,504
Trade and other payables	-	-	-	-	1,386,879	1,386,879
	-	**-**	**-**	**-**	**31,288**	**31,288**
	-	**234,504**	**1,053,120**	**2,516,856**	**1,418,167**	**5,222,647**
Interest rate sensitivity gap	**-**	**(234,504)**	**(1,053,120)**	**(2,516,856)**	**2,803,252**	**(1,001,228)**

(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.

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 2011:	Loans and receivables KShs'000	Available -for-sale KShs'000	Other amortised cost KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets					
Quoted investments	-	50,135	-	50,135	50,135
Unquoted investments	-	3,034,588	-	3,034,588	3,034,588
Investment in funds	-	767,553	-	767,553	767,553
Trade receivables	3,832,356	-	-	3,832,356	3,832,356
Cash and bank balances	2,759,356	-	-	2,759,356	2,759,356
Total assets	**6,591,712**	**3,852,276**	**-**	**10,443,988**	**10,443,988**
Liabilities					
Bank overdraft	-	-	263,953	263,953	263,953
Longterm loan	-	-	4,303,232	4,303,232	4,303,232
Creditor and accruals	-	-	4,646,125	4,646,125	4,646,125
Aureos Fund- other members	-	-	29,355	29,355	29,355
Total liabilities	**-**	**-**	**9,242,665**	**9,242,665**	**9,242,665**

31 December 2010:	Loans and receivables KShs'000	Available -for-sale KShs'000	Other amortised cost KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets					
Quoted investments	-	93,625	-	93,625	93,625
Unquoted investments	-	1,520,955	-	1,520,955	1,520,955
Investment in funds	-	914,268	-	914,268	914,268
Trade receivables	1,485,487	-	-	1,485,487	1,485,487
Cash and bank balances	207,084	-	-	207,084	207,084
Total assets	**1,692,571**	**2,528,848**	**-**	**4,221,419**	**4,221,419**
Liabilities					
Bank overdraft	-	-	234,504	234,504	234,504
Longterm loan	-	-	3,569,976	3,569,976	3,569,976
Creditor and accruals	-	-	1,386,879	1,386,879	1,386,879
Aureos Fund- other members	-	-	31,288	31,288	31,288
Total liabilities	**-**	**-**	**5,222,647**	**5,222,647**	**5,222,647**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Valuation hierarchy

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	LEVEL 1	LEVEL 2	LEVEL 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities Listed derivative instruments Listed equities	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters Corporate bonds in illiquid markets
Types of financial liabilities:	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured OTC derivatives with unobservable parameters

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2011 and 31 December 2010:

31 December 2011:	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Quoted investments	50,135	-	-	50,135
Unquoted investments	-	3,034,588	-	3,034,588
Investments in funds	-	767,553	-	767,553
Total assets	**50,135**	**3,802,141**	**-**	**3,852,276**

31 December 2010:	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Quoted investments	93,625	-	-	93,625
Unquoted investments	-	1,520,955	-	1,520,955
Investments in funds	-	914,268	-	914,268
Total assets	**93,625**	**2,435,223**	**-**	**2,528,848**

5. NET OTHER INCOME

Group:

	2011 KShs '000	2010 KShs '000
(Loss)/gain on sale of other quoted securities and dividend from other investments	(1,298)	133,049
Gain on sale of property	3,289	158
Change in fair value of investment property	100,000	117,864
Sale of scraps	9,368	13,787
Other income	842,384	423,602
	953,743	**688,460**

6. RESULTS FROM OPERATING ACTIVITIES

Group

	2011 KShs '000	2010 KShs'000
Profit before tax is arrived at after charging/(crediting):		
Depreciation	322,684	221,658
Amortisation of prepaid operating lease rentals	4,661	4,650
Amortisation of intangible assets	9,133	9,171
	336,478	235,479
Provision for stocks	-	61,794
Debtors impairment loss	(11,990)	144,284
Impairment (recovery)/ losses	(11,990)	206,078
Directors' emoluments - Fees – Group	36,277	46,765
- Others – Group	3,411	10,712
- Company – Fees	7,844	12,015
Auditors' remuneration - Group and subsidiaries	19,782	14,470
- Company – Current year	2,800	2,797
Loss/(gain) on sale of other quoted securities and dividends from other investments	1,298	(133,049)
Profit on disposal of property, plant and equipment	(3,289)	(158)

7. NET FINANCE COSTS

Group

	2011 KShs '000	2010 KShs '000
(a) Finance income		
Interest income	13,735	6,564
Gain on exchange	46,140	83,460
	59,875	90,024
(b) Finance costs		
Interest paid	(690,122)	(352,124)
Loss on exchange	(118,551)	(81,586)
	(808,673)	(433,710)
Net finance expense	**(748,798)**	**(343,686)**

8. INCOME TAX

	2011 KShs '000	2010 KShs '000
Current tax:		
Charge for the year @ 30%	314,289	173,998
Prior years under provision	21,389	5,491
	335,678	179,489
Deferred tax credit:		
Current year (Note 24)	(83,334)	(17,166)
Prior year under provision (Note 24)	821	-
	(82,513)	(17,166)
	253,165	**162,323**

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

	2011 KShs '000	2010 KShs '000
Accounting profit before tax	869,265	630,585
Tax at the domestic rate of 30%	260,780	189,175
Previous years under provision		
- Current tax	22,607	(1,928)
- Deferred tax	821	-
Effect of taxes in foreign jurisdictions*	169,159	108,828
Deferred tax not recognised	15,606	(32,294)
Tax effect of non-deductible expenses and non-taxable income	(215,808)	(101,458)
Income tax expense	**253,165**	**162,323**

* Trans-Century Holdings Pty Limited operates in South Africa where corporate taxes are 28%, Trans-Century 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%.

9. PROPERTY, PLANT AND EQUIPMENT

Group 2011:	Heavy Commercial vehicles KShs'000	Freehold land and buildings KShs'000	Leasehold land and buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress KShs'000	Total KShs'000
Cost :								
At 1 January 2011	-	438,301	1,437,793	2,158,277	105,439	87,872	117,618	4,345,300
Assets acquired on acquisition of subsidiaries	1,326,689	-	954,010	947,176	243,214	100,356	25,968	3,597,413
Additions	-	-	11,433	61,528	33,271	22,830	18,787	147,849
Transfers	-	198	47,445	-	-	-	(47,445)	198
Disposals	-	-	(414)	(6,819)	(3,133)	(335)	-	(10,701)
Revaluation - subsidiaries	-	169,911	-	71,728	-	-	-	241,639
Exchange differences	-	(34,745)	(13,673)	(50,410)	(110)	(2,405)	(4,894)	(106,237)
At 31 December 2011	1,326,689	573,665	2,436,594	3,181,480	378,681	208,318	110,034	8,215,461
Comprising:								
Cost	1,326,689	353,470	558,481	928,064	100,797	78,731	69,451	3,415,683
Valuation	-	220,195	1,878,113	2,253,416	277,884	129,587	40,583	4,799,778
	1,326,689	573,665	2,436,594	3,181,480	378,681	208,318	110,034	8,215,461
Depreciation:								
At 1 January 2011	-	55,294	32,175	429,666	41,293	53,494	-	611,922
Accumulated depreciation on assets acquired	877,094	-	93,823	330,248	147,027	62,665	-	1,510,857
Charge for the year	45,224	9,951	49,492	171,014	32,415	14,588	-	322,684
Disposals	-	-	-	(1,136)	(2,923)	(192)	-	(4,251)
Revaluation - subsidiaries	-	-	(11,464)	(9,236)	-	-	-	(20,700)
Exchange differences	-	(5,744)	(1,729)	(13,000)	(1,084)	(1,703)	-	(23,260)
At 31 December 2011	922,318	59,501	162,297	907,556	216,728	128,852	-	2,397,252
Carrying value:								
At 31 December 2011	**404,371**	**514,164**	**2,274,297**	**2,273,924**	**161,953**	**79,466**	**110,034**	**5,818,209**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2010:	Freehold land and buildings KShs'000	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress KShs'000	Total KShs'000
Cost or valuation:							
At 1 January 2010	400,401	845,139	1,602,691	93,052	84,211	(349)	3,025,145
Additions	-	4,320	323,878	23,149	14,547	261,447	627,341
Transfers	-	-	143,681	-	-	(143,681)	-
Transfer to investment property - Subsidiary (Note 10)	-	(32,415)	-	-	-	-	(32,415)
Write offs/disposals	-	(1,376)	(930)	(990)	(11,033)	-	(14,329)
Revaluation - Subsidiaries	-	635,021	67,868	(7,542)	-	-	695,347
Revaluation adjustment-subsidiary	-	-	9,084	-	6	-	9,090
Exchange differences	37,900	(12,896)	12,005	(2,230)	141	201	35,121
At 31 December 2010	438,301	1,437,793	2,158,277	105,439	87,872	117,618	4,345,300
Comprising:							
Cost	425,917	373,859	1,402,399	90,698	62,296	220,971	2,576,140
Valuation	12,384	1,063,934	755,878	14,741	25,576	(103,353)	1,769,160
	438,301	1,437,793	2,158,277	105,439	87,872	117,618	4,345,300
Depreciation:							
At 1 January 2010	39,237	26,730	299,323	35,882	43,585	-	444,757
Charge for the year	11,687	24,372	147,166	21,331	17,102	-	221,658
Write offs/disposals	-	2,516	(2,817)	1,422	(7,262)	-	(6,141)
Transfer to investment property - Subsidiary (Note 10)	-	(7,735)	-	-	-	-	(7,735)
Revaluation - Subsidiary	-	(12,384)	(17,205)	(16,527)	(324)	-	(46,440)
Exchange differences	4,370	(1,324)	3,199	(815)	393	-	5,823
At 31 December 2010	55,294	32,175	429,666	41,293	53,494	-	611,922
Carrying value:							
At 31 December 2010	**383,007**	**1,405,618**	**1,728,611**	**64,146**	**34,378**	**117,618**	**3,733,378**

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fittings and equipment
2011:	**KShs'000**
Cost or valuation:	
At 1 January 2011	14,153
Additions	3,233
At 31 December 2011	17,386
Depreciation:	
At 1 January 2011	6,188
Charge for the year	2,172
At 31 December 2011	8,360
Carrying value	
At 31 December 2011	**9,026**
2010:	
Cost or valuation:	
At 1 January 2010	13,886
Additions	659
Disposals	(392)
At 31 December 2010	14,153
Depreciation:	
At 1 January 2010	4,329
Charge for the year	2,043
Disposals	(184)
At 31 December 2010	6,188
Carrying value	
At 31 December 2010	**7,965**

Revaluation

The buildings of one of the subsidiaries, East African Cables Limited, was revalued in December 2009 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.

All the property, plant and equipment of a subsidiary, East African Cables (Tanzania) Limited, were revalued in December 2010 by Lloyd Masika Limited, a firm of professional valuers on the basis of open market value for existing use.

The properties, plant and equipment of a subsidiary, Tanelec Limited – Tanzania were revalued in August 2007 by Lloyd Jones Limited, a firm of professional valuers on the basis of open market value for existing use and were used to determine fair values of these assets at the date of acquisition.

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation (Continued)

The land and buildings of one of the subsidiaries, Avery (East Africa) Limited were revalued in December 2011 by an independent valuer 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 property and plant and machinery of one of the subsidiaries, Kewberg Cables & Braids Proprietary Limited were revalued on 1 August 2011 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 11.50% 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 2011, properties of subsidiaries have been charged to secured banking facilities per Note 18.

10. INVESTMENT PROPERTY

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Valuation				
At 1 January	345,502	205,000	165,000	145,000
Acquired on acquisition of subsidiary	30,422	-	-	-
Transfer from property, plant and equipment (Note 9)	-	24,680	-	-
Fair value changes	100,000	117,864	100,000	20,000
Currency changes	(1,921)	(2,042)	-	-
At 31 December	**474,003**	**345,502**	**265,000**	**165,000**

Revaluation

The company acquired a piece of freehold land in 2006 at KShs 46,309,000 for investment purposes. The land is carried at Directors valuation of KShs 265 million based on prevailing market prices.

The investment property of the subsidiary, East African Cables Limited, comprises of residential properties that have been leased to a third party which have been revalued by Lloyd Masika Limited (Kenya and Tanzania) in 2010.

The properties are leased on a renewable annual lease.

11. PREPAID OPERATING LEASE RENTALS

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
At 1 January	160,200	167,415	-	-
Amortisation for the year	(4,661)	(4,650)	-	-
Transfer to property and equipment	(198)	-	-	-
Exchange adjustment	2,563	(2,565)	-	-
At 31 December	**157,904**	**160,200**	**-**	**-**

12. INTANGIBLE ASSETS

(a) Group

2011:	Software KShs '000	Goodwill KShs '000	Brand KShs '000	Total KShs '000
Cost				
At 1 January	30,944	277,371	99,764	408,079
On acquisition of Subsidiaries	14,671	1,978,362	-	1,993,033
Additions	3,022	-	-	3,022
Exchange differences	-	(292,140)	(14,970)	(307,110)
At 31 December	48,637	1,963,593	84,794	2,097,024
Amortisation				
At 1 January	16,520	(635)	21,065	36,950
Amortisation	4,486	-	4,647	9,133
Exchange differences	(26)	(197)	(3,030)	(3,253)
At 31 December	20,980	(832)	22,682	42,830
Carrying value				
At 31 December	**27,657**	**1,964,425**	**62,112**	**2,054,194**
2010:				
Cost				
At 1 January	29,941	286,174	83,955	400,070
Additions	1,003	-	-	1,003
Exchange differences	-	(8,803)	15,809	7,006
At 31 December	30,944	277,371	99,764	408,079
Amortisation				
At 1 January	13,524	-	13,227	26,751
Amortisation	3,797	-	5,374	9,171
Exchange differences	(801)	(635)	2,464	1,028
At 31 December	16,520	(635)	21,065	36,950
Carrying value				
At 31 December	**14,424**	**278,006**	**78,699**	**371,129**

12 INTANGIBLE ASSETS (Continued)

(b) Company

2011:	Total
	KShs '000
Cost	
At 1 January and 31 December	337
Amortisation	
At 1 January	237
Amortisation during the year	69
At 31 December	306
Carrying value At 31 Dec	**31**
2010:	
Cost	
At 1 January and 31 December	337
Amortisation	
At 1 January	125
Amortisation during the year	112
At 31 December	237
Carrying value At 31 Dec	**100**

(c) Goodwill on acquisition of Trans-Century 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 Crystal Limited

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

Given the proximity of the year end to the acquisition of the business at 31 July 2008, the fair values determined at that date were relied upon to support the carrying value of the goodwill recognised. The carrying amount of the goodwill is reviewed annually on the basis of forecast profits of the cash generating assets and forecast sales of the products.

(e) Goodwill on acquisition of Civicon Group and 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.

12. INTANGIBLE ASSETS (Continued)

(f) Brand

In accordance with IFRS 3 – Business Combinations, a valuation of the brand acquired was performed. This valuation was calculated as the present value of profits and KShs 1.122 billion (120 million Rand) turnover for 2008 and using 5% growth in revenues from 2009. The useful life of the brand has been assessed over 20 years. The discount rate of 20.6% was used.

13. INVESTMENTS	**Consolidated 2011 KShs '000**	**Consolidated 2010 KShs '000**	**Company 2011 KShs '000**	**Company 2010 KShs '000**
(a) Quoted shares				
Movement during the year:				
At 1 January	93,625	321,822	93,625	143,796
Additions	-	-	-	-
Disposals	(13,687)	(254,484)	(13,687)	(76,458)
Fair value (loss)/gain in the year	(29,803)	26,287	(29,803)	26,287
At 31 December	**50,135**	**93,625**	**50,135**	**93,625**
Comprising:				
Cost	102,586	115,546	102,586	115,546
Cumulative fair value change	(52,451)	(21,921)	(52,451)	(21,921)
	50,135	**93,625**	**50,135**	**93,625**
(b) Unquoted shares				
RVR Investments (PTY) Limited (RVR) (Registered in Mauritius):	2,820,837	1,248,762	-	-
Development Bank of Kenya Limited				
Cost	78,689	78,689	78,689	78,689
Cumulative fair value gain	135,062	193,504	135,062	193,504
	213,751	272,193	213,751	272,193
	3,034,588	**1,520,955**	**213,751**	**272,193**

Trans-Century Limited initially entered into a subscription agreement to acquire 20% of shares in RVR Investments (Proprietary) Limited (RVR) in 2006, a company organised under the Laws of Mauritius. The total investment for the initial 20% stake in RVR was US$ 9 million that has been paid in full. By 2011 the company has made additional investments in RVR beyond the initial US$ 9 million thereby increasing its shareholding in RVR from its initial 20% to 34%.

In 2010, a new lead investment Company was established, named KU Railways Holdings (KURH) in place of the initial lead investor Sheltam Rail Company (SRC) and under the amended concession agreements, the shareholders of RVR swopped their shares in RVR for shares in KURH in order to take up shareholding in the new lead investor. The Company therefore owns 34% of KURH, through its subsidiary undertaking Safari Rail Company Limited, a company organised under the Laws of Mauritius which is a wholly owned subsidiary of the Company. KURH (new lead investor) currently owns 100% of RVR (Concession Holding Company, through which the Company initially invested).

13. INVESTMENTS (Continued)

(b) Unquoted shares (continued)

In 2011 RVR kicked off the turnaround effort aimed at increasing capacity of the railway, with the following being the key milestones;(a)Signing and first drawdown by RVR of the $164 million debt package in December 2011 (b) Injection of USD82 million capital injection by the shareholders and (c) Final appointments of key management positions. The key activities are on course with the first projects being track improvement, wagon refurbishment, locomotive refurbishment and systems upgrades.

The investment in KURH/RVR is carried at fair value through profit or loss. The fair value as at 31 December 2011 was estimated through a valuation technique designed by the directors which assumed a blended average of various valuation methods namely; the Precedent transactions analysis, Discounted Cashflows (DCF) analysis, Internal Rate of Return (IRR) analysis and the comparable companies analysis. The concession agreement signed between RVR and the Governments of Kenya and Uganda remains in place and forms the basis of operation of RVR. Based on the foregoing factors the directors believe that the value of the investment in RVR is fairly stated.

(c) Investment in subsidiaries – Fair value/cost

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Cable Holdings (Kenya) Limited 94.8113% (2010 – 94.8113%):				
Cost	-	-	271,681	271,681
Cumulative fair value gain	-	-	2,026,972	2,431,628
	-	-	2,298,653	2,703,309
Avery Kenya Limited 94.4058% (2010 – 94.4058%):				
Cost	-	-	49,853	49,853
Cumulative fair value gain	-	-	606,651	718,399
	-	-	656,504	768,252
Tanelec Limited 70% (2010 – 70%):				
Cost	-	-	78,720	78,720
Cumulative fair value gain	-	-	853,043	733,516
	-	-	931,763	812,236
Trans-Century Holdings Pty Limited 100% (2010 – 100%):				
Cost	-	-	122,167	122,167
Cumulative fair value gain	-	-	771,568	843,662
	-	-	893,735	965,829

13. INVESTMENTS (Continued)

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

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Crystal Limited 97.5% (2010 – Nil):				
Cost	-	-	52	52
Cumulative fair value gain	-	-	854,175	740,334
	-	-	854,227	740,386
Trans-Century Mauritius Holdings Limited (100%)				
Cost	-	-	973,103	973,103
Cumulative fair value gain	-	-	2,158,470	-
	-	-	3,131,573	973,103
Total investment in subsidiaries	**-**	**-**	**8,766,455**	**6,963,115**

The company holds 94.8113% (2010 – 94.8113%) shareholding in Cable Holdings Limited which leads to an effective shareholding of 64.3614% (2010 – 63.3108) of East Africa Cables Limited (A company listed on the Nairobi Stock Exchange).

In the year 2005, the company acquired 94.4058% shareholding in 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 has a shareholding of 95% in Chai Bora Limited.

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

Fair value determined based on fair value policy per Note 2(e).

14. INVESTMENT IN FUNDS

Group and Company

The fund value has been disclosed at its fair value at the year end and fair value gains and losses have been accounted for through reserves.

	2011 KShs '000	2010 KShs '000
Aureos East Africa (AEAF)	35,485	45,218
Aureos South Asia (ASAF)	172,196	194,692
Aureos China (ACF)	137,138	134,452
Business Partners International (BPI)	62,156	59,419
Helios Investors LP (Helios)	194,447	209,214
Helios Investors Kili Parallel LLP (KILI LLP)	166,131	271,273
	767,553	**914,268**
Aureos East Africa Fund:		
The company has committed to invest US$ 500,000 in the fund.		
The investment at cost is allocated as follows:		
Total calls	35,485	45,218
Company portion	(6,130)	(13,930)
Attributable to other members	**29,355**	**31,288**

Calls made to 31 December 2011 amounted to US$ 230,925 (2010 - US$ 344,772).

The fair value of the investment is KShs 35,485,000 (2010- KShs 45,218,000).

14. INVESTMENT IN FUNDS (Continued)

	ASAF USD'000	AEAF USD'000	ACF USD'000	BPI USD'000	Helios USD'000	KILI LLP USD'000	TOTAL USD'000
Commitment 2011 and 2010	2,500	500	2,000	1,500	2,500	2,000	11,000
% holding	2.94%	1.25%	5.48%	10.64%	1.00%	1.56%	-
Outstanding commitment:							
At 31 December 2011	930	269	582	427	405	-	2,613
At 31 December 2010	924	155	815	570	651	-	3,115
2011							
Valuation:							
At 1 January 2011	194,692	45,218	134,452	59,419	209,214	271,273	914,268
Additions/(redemptions) during the year	(785)	(10,490)	22,452	12,835	22,309	-	46,321
Fair value gain/(loss)	(21,711)	757	(19,766)	(10,098)	(37,076)	(105,142)	(193,036)
At 31 December 2011	**172,196**	**35,485**	**137,138**	**62,156**	**194,447**	**166,131**	**767,553**
2010							
Valuation:							
At 1 January 2010	93,636	43,695	61,642	43,814	209,839	145,597	598,223
Additions/(redemptions) during the year	19,977	(4,506)	36,418	17,607	(29,550)	-	39,946
Fair value gain/(loss)	81,079	6,029	36,392	(2,002)	28,925	125,676	276,099
At 31 December 2010	**194,692**	**45,218**	**134,452**	**59,419**	**209,214**	**271,273**	**914,268**

15. LOANS TO SUBSIDIARIES	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Payable after 12 months:				
Trans-Century Holdings (Proprietary) Limited - South Africa	-	-	196,487	230,793
Crystal Ltd – Tanzania	-	-	436,171	393,107
Cable Holdings (Kenya) Limited	-	-	-	-
	-	**-**	**632,658**	**623,900**
Payable within 12 months:				
Chai Bora Ltd – Tanzania	-	-	73,710	73,710
Trans-Century Holdings (Proprietary) Limited	-	-	43,014	50,525
	-	**-**	**116,724**	**124,235**

16. INVENTORIES

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Raw materials	642,159	652,852	-	-
Finished goods	551,598	466,012	-	-
Work in progress	201,299	368,099	-	-
Goods in transit	79,013	288,207	-	-
Spares and lubricants	172,310	160,762	-	-
Machines	40,981	34,172	-	-
Consumables	35,004	2,407	-	-
Containers	1,587	-	-	-
Provision for obsolete and slow moving stocks	(14,723)	(28,247)	-	-
	1,709,228	**1,944,264**	**-**	**-**

17. TRADE AND OTHER RECEIVABLES

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Trade receivables	4,037,100	1,661,441	-	-
Bad debts provision	(204,744)	(175,954)	-	-
	3,832,356	1,485,487	-	-
Sundry receivables and prepayments	1,037,898	426,766	117,268	124,685
Staff receivables	4,218	1,580	-	-
Due from related parties (Note 27(h))	-	-	352,381	98,798
	4,874,472	**1,913,833**	**469,649**	**223,483**

18. CASH AND CASH EQUIVALENTS

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Cash and bank balances	2,759,356	207,084	-	40,509
Bank overdraft	(263,953)	(234,504)	(41,899)	(94)
Total cash and cash equivalents	**2,495,403**	**(27,420)**	**(41,899)**	**40,415**

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 4.7 billion (2010 – KShs 4.7 billion).

18. CASH AND CASH EQUIVALENTS (Continued)

A subsidiary, East African Cables Limited, has entered into a facility with a bank and is secured over certain land and buildings for KShs 870 million (2010 - KShs 870 million) and a debenture over all assets of the company for KShs 2.1 billion (2010 - KShs 1. 84 billion). The bank facility comprises overdraft, term loan, letters of credit, bonds/guarantee and forex dealing.

A subsidiary, East African Cables (Tanzania) Limited, has a bank overdraft for working capital management and a short term post-import financing loan with Standard 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 of Trans-Century Holdings (Proprietary) Limited, Kewberg Cables & Braids (Proprietary) Limited, has ceded and pledged to the Standard Bank of South Africa, all its rights in and to book debts and other debts and any claim, due or to become due to it. The loans at the subsidiary are secured over property, plant, equipment and current assets.

A subsidiary of Crystal Limited, Chai Bora Limited, has secured a medium term facility from CRDB Bank Limited; a USD 1,150,000 term loan and a TShs 2 billion overdraft facility. The loan and bank overdraft facility is secured by legal mortgage over industrial buildings, fixed and floating debentures over all the assets of the company and cross company guarantee and indemnity from Trans-Century Limited.

A subsidiary, Tanelec Limited, has a bank loan facility with Stanbic Bank Tanzania Limited which is due on May 2013 and attracts interest at 8.5%p.a. and a finance lease with respect to asset financing at the rate of 8.5%. The facility is secured with first charge over certain company assets, with a carrying value of TShs 2,767,012,500 and a corporate guarantee by Trans-Century Limited.

A subsidiary, Avery (East Africa) Limited, has a bank overdraft facility with Chase Bank (Kenya) Limited for KShs 100 million secured by its leasehold land and building. Interest is charged at base lending rate minus 1%.

A subsidiary, Safari Rail Company Limited, has entered into an interest free loan facility agreement of USD 6 million with Ambience Rail Company (Pty) Limited. This loan can only be used for the purpose of meeting capital requirements in Rift Valley Railways Company Limited. The loan is unsecured and repayable only out of dividends received or from the proceeds of sale of the company's interest in the investee company.

19. SHARE CAPITAL	**2011 KShs '000**	**2010 KShs '000**
Group and Company		
Authorised		
600,000,000 (2010-400,000,000) ordinary shares of KShs 0.50 each	**300,000**	**200,000**
Issued and fully paid		
At 1 January 267,038,090 (2010 – 262,924,260) Ordinary shares of KShs 0.50 (2010 - KShs 0.50) each	133,519	131,462
New issue of 6,912,194 (2010 – 4,113,830) Ordinary shares of KShs 0.50 each (2010-0.50) each	3,456	2,057
At 31 December 273,950,284 (2010 – 267,038,090) Ordinary shares of KShs 0.50 (2010-0.50) each	**136,975**	**133,519**

Conversion of bond in 2011

The company issued a convertible bond in 2011 as detailed in note 23. The 6,912,194 additional shares in the year relates to conversion of bond valued at US$ 3,435,000.

In 2010, the company issued 4,113,830 new ordinary shares of KShs 0.50 each. The holders of shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at annual and general meetings of the company.

20. SHARE PREMIUM

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
At 1 January	106,684	106,684	106,684	106,684
Conversion of convertible bond of 6,912,194 shares at conversion price of KShs 40	273,033	-	273,033	-
At 31 December	**379,717**	**106,684**	**379,717**	**106,684**

21. RESERVES

(a) Revenue Reserves

Revenue reserves relate to accumulated profits over the years which are distributable to shareholders.

(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.

22. PROPOSED DIVIDENDS AND EARNINGS

(a) Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of KShs 356,665,000 (2010 – KShs 343,713,000) and a weighted average number of ordinary shares outstanding during the year of 269,342,155 (2010 – 267,038,090).

	2011 KShs '000	2010 KShs '000
Profit attributable to ordinary shareholders	**356,665**	**343,713**

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 2011 was based on the profit attributable to ordinary shareholders of KShs 430,840,000 (2010 – KShs 343,713,000) and a weighted average number of ordinary shares outstanding during the year of 348,943,069 (2010 – 267,038,090).

22. PROPOSED DIVIDENDS AND EARNINGS (continued)

(b) Proposed dividends

	2011 KShs '000	2010 KShs '000
Balance brought forward	53,408	13,146
Final proposed for the year	68,488	53,408
Paid or transferred to liabilities in the year	(53,408)	(13,146)
	68,488	**53,408**

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. During the year the directors paid the 2010 final dividend of KShs 53,407,618 and recommend a final dividend of KShs 0.25 per share amounting to KShs 68,487,571.

23. CONVERTIBLE BOND

During the year the group issued a United States Dollar (USD) denominated convertible bond through one of its subsidiary, TC Mauritius Holdings Limited. The total amount of the convertible bond issued was USD 54,270,000 and some of the bond holders converted their portion of the bond to ordinary shares during the year amounting to USD 3,435,000. The movement in the bond during the year is as follows:

	2011 KShs '000	2010 KShs '000
At 1 January	-	-
Issued during the year	4,729,287	-
Conversion during the year	(276,489)	-
At 31 December	**4,452,798**	**-**

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 should the Bond not be converted.
- The company has reserved 150,929,616 ordinary shares to cater for conversion of the bond into shares, of which 6,912,194 has been issued on conversion during the year.

24 . DEFERRED TAX (ASSET)/LIABILITY

(a) Deferred tax asset

(i) Group

2011:	At 1 January KShs'000	Reclassification KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised in other comprehensive income KShs '000	Exchange difference KShs'000	At 31 December KShs'000
Property, plant and equipment	(1,006)	1,131	-	(51)	-	74
Provisions	3,598	(3,598)	-	-	-	-
Unrealised exchange losses	128	(128)	-	-	-	-
	2,720	**(2,595)**	**-**	**(51)**	**-**	**74**
2010:						
Property, plant and equipment	(846)	-	(140)	-	(20)	(1,006)
Provisions	2,156	-	1,442	-	-	3,598
Unrealised exchange losses	277	-	(149)	-	-	128
	1,587	**-**	**1,153**	**-**	**(20)**	**2,720**

(ii) Company

2011:	At 1 January KShs'000	Reclassification KShs'000	Recognised through statement of comprehensive income KShs'000	Recognised in other comprehensive income KShs '000	Exchange difference KShs'000	At 31 December KShs'000
Property, plant and equipment	**125**	**-**	**(51)**	**-**	**-**	**74**
2010:						
Property, plant and equipment	**29**	**-**	**96**	**-**	**-**	**125**

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

(b) Deferred tax liability

(i) Group

2011:	At 1 January KShs'000	Reclassification KShs'000	Acquired on acquisition of subsidiary KShs'000	Recognised through income statement KShs '000	Prior year (over)/under provision	Recognised in equity KShs'000	Exchange difference KShs'000	At 31 December KShs'000
Staff gratuity provision	(5,789)	-	-	(773)	-	-	43	(6,519)
Other provisions and accruals	(110,291)	(3,598)	(4,966)	11,122	780	-	1,360	(105,593)
Prepayments	(18,380)	-	-	19,027	-	-	(644)	3
Unrealised exchange gain	64,526	(128)	2, 279	22,751	-	-	(44,213)	45,215
Property, plant and machinery	660,680	1,131	34,693	(135,461)	41	71,666	52,357	685,107
Deferred tax liability	**590,746**	**(2,595)**	**32,006**	**(83,334)**	**821**	**71,666**	**8,903**	**618,213**
2010:								
Staff gratuity provision	(5,135)	-	-	(793)	-	-	139	(5,789)
Other provisions and accruals	(74,535)	-	-	(39,662)	-	-	3,906	(110,291)
Prepayments	-	-	-	(18,809)	-	-	429	(18,380)
Unrealised exchange gain	48,744	-	-	15,782	-	-	-	64,526
Property, plant and machinery	412,890	-	-	27,469	-	206,008	14,313	660,680
Deferred tax liability	**381,964**	**-**	**-**	**(16,013)**	**-**	**206,008**	**18,787**	**590,746**

25. LOANS	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Bank loans -Long term	2,965,304	2,777,047	1,709,699	1,823,067
-Short term	1,337,928	792,929	-	-
Loans from subsidiaries (Note 27(g))	-	-	746,209	576,073
	4,303,232	**3,569,976**	**2,455,908**	**2,399,140**
Payable after 12 months	2,965,304	2,755,239	2,309,995	2,166,657
Payable within 12 months	1,337,928	814,737	145,913	232,483
	4,303,232	**3,569,976**	**2,455,908**	**2,399,140**

The bank loans are granted under the bank facilities per Note 18 above.

26. CREDITORS AND ACCRUALS

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Trade creditors	1,904,611	1,137,194	-	-
Sundry creditors	2,741,514	249,685	74,663	69,226
	4,646,125	**1,386,879**	**74,663**	**69,226**

27. RELATED PARTIES TRANSACTIONS

The following transactions were carried out with related parties:

	2011 KShs'000	2010 KShs'000
(a) Directors and executive officers Group and Company		
Directors emoluments – Group	36,277	46,765
Others	3,411	10,712
Company fees	7,844	12,015
	47,532	**69,492**
(b) Inter-company sales – Group		
From East African Cables Limited to Tanelec Limited	33,927	34,938
From Avery (East Africa) Limited to East African Cables Limited	8,662	798
From Chai Bora Limited to Avery (EA) Limited	307	-
	42,896	**35,736**
(c) Interest income - Company		
Chai Bora Limited	11,154	11,247
Crystal Limited	4,191	2,989
	15,345	**14,236**

27. RELATED PARTIES TRANSACTIONS (continued)

	2011 KShs'000	2010 KShs'000
(d) Dividends receivable - Company		
Cable Holdings (Kenya) Limited	178,618	64,102
Avery (East Africa) Limited	22,907	6,118
Tanelec Limited	16,302	26,816
TC Mauritius Holdings Limited	-	251,198
Metal Fabricators of Zambia Plc	-	7,299
	217,827	**355,533**
(e) Technical fees - Company		
Tanelec Limited	42,214	27,782
Kewberg Cables and Braid (Pty) Limited	31,453	29,979
Avery (East Africa) Limited	9,761	12,306
Chai Bora Limited	33,121	27,522
	116,549	**97,589**
(f) Loans to subsidiaries - Company		
Payable after 12 months:		
Trans-Century Holdings (Proprietary) Limited - South Africa	196,487	230,793
Crystal Ltd – Tanzania	436,171	393,107
	632,658	**623,900**
Payable within 12 months:		
Chai Bora Ltd – Tanzania	73,710	73,710
Trans-Century Holdings (Proprietary) Limited	43,014	50,525
	116,724	**124,235**
(g) Loan from subsidiary - Company		
Cable Holdings (Kenya) Limited	**746,209**	**576,073**
(h) Due from/(to) related parties - Company		
Cable Holdings (Kenya) Limited	73,830	10,233
Avery (East Africa) Limited	38,215	8,739
Chai Bora Limited	23,926	26,532
East African Cables Limited	37	-
Crystal Limited	14,128	9,937
TC Holdings Pty Limited	1,958	1,958
Tanelec Limited	78,214	(18,810)
Kewberg Cables and Braid (Pty) Limited	117,219	54,445
TC Mauritius Holdings Limited	(14,677)	(292)
Cable Holdings Mauritius Limited	2,782	3,087
TC Railway Holdings Mauritius	1,587	1,876
Safari Rail Company Limited	546	1,093
Cableries du Congo	14,616	-
	352,381	**98,798**

28. BUSINESS COMBINATIONS

On 30 September 2011 the group through its subsidiary TC Holdings Mauritius obtained the control of Civicon Limited, a company involved in the provision of civil and mechanical engineering and transportation services by acquiring 62% of the shares and voting interests of the company.

On 31 May 2011 the group through its subsidiary Tanelec Limited also obtained the control of Pende Group by acquiring 80% of the shares and voting interest of the company. Pende Group is incorporated in Zambia and involved in the sale of electrical hardware and provision of engineering services as well as the manufacturing of transformers.

Taking control of the two companies is driven by the Group's belief in the long term growth prospects of the East, Central and Southern African regional infrastructure opportunity. The investment also positions the group to actively participate in infrastructure development across the region going forward. The above businesses acquired during the year contributed revenue of KShs 1.75 billion and Earnings Before Interest and Tax (EBIT) of KShs 677.6 million to the group results.

	Total (KShs'000)
Property Plant and Equipment	2,086,556
Intangible assets	14,671
Investment Property	30,422
Inventories	27,672
Related party assets & liabilities	36,597
Trade & other receivables	1,499,973
Tax recoverable	77,008
Deferred tax liability	(32,006)
Tax payable	(254,278)
Trade and other payables	(523,411)
Borrowings	(614,296)
Total net assets acquired during the year	**2,348,908**
Non controlling interest at acquisition	889,098
Majority interest at acquisition	1,459,810
Total net assets acquired during the year	**2,348,908**

The fair value of property, plant and equipment, Leases and Intangible assets has been determined provisionally pending completion of an independent asset valuation exercise. The process of fair valuing the other assets and liabilities of the company is also still ongoing and if new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies any adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised in the following financial year.

29. SEGMENT INFORMATION

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

- Power
- Transport
- Specialized engineering
- Consumer

For each of the strategic business units, the group Chief Executive Officer reviews internal management reports. Information regarding the results of each reportable segment is described below. Performance is measured based on each segment profit before tax as indicated in the internal management reports that are reviewed by the Group Chief Executive Officer.

Year ended 31 December 2011	Power KShs'000	Specialized engineering KShs'000	Consumer KShs'000	Transport KShs'000	Affiliated investments KShs'000	Intra-group adjustments KShs'000	Total KShs'000
Sales	**7,730,211**	**2,034,609**	**982,641**	**-**	**-**	**(45,840)**	**10,701,621**
Operating profit	**122,724**	**654,853**	**102,570**	**773,139**	**(35,223)**	**-**	**1,618,063**
Finance costs	-	-	-	-	-	-	(748,798)
Income tax expenses	-	-	-	-	-	-	(253,165)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**616,100**
Attributable to:							
Equity holders	-	-	-	-	-	-	356,665
Non-controlling interest	-	-	-	-	-	-	259,435

29. SEGMENT INFORMATION (Continued)

Year ended 31 December 2011	Power KShs'000	Specialized engineering KShs'000	Consumer KShs'000	Transport KShs'000	Affiliated investments KShs'000	Intra-group adjustments KShs'000	Total KShs'000
Other information:							
Segment assets	7,882,850	4,773,915	657,737	2,820,837	5,606,845	-	21,742,184
Segment liabilities	4,879,360	1,683,684	619,258	-	6,922,074	-	14,104,376
Capital expenditure	111,722	27,195	5,700	-	3,232	-	147,849
Depreciation and armotisation	285,620	47,581	1,105	-	2,172	-	336,478
Year ended 31 December 2010							
Sales	**5,504,917**	**410,975**	**914,617**	**-**	**-**	**(35,859)**	**6,794,650**
Operating profit	367,494	64,757	114,240	-	427,780	-	974,271
Finance costs	-	-	-	-	-	-	(343,686)
Income tax expenses	-	-	-	-	-	-	(162,323)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**468,262**
Attributable to:							
Equity holders	-	-	-	-	-	-	343,713
Non-controlling interest	-	-	-	-	-	-	124,549
Year ended 31 December 2010							
Other information:							
Segment assets	7,404,343	252,363	636,083	1,248,762	1,692,207	-	11,233,758
Segment liabilities	2,983,084	122,010	207,298	-	2,039,886	-	5,352,278
Capital expenditure	607,669	14,276	4,737	-	659	-	627,341
Depreciation and armotisation	-	-	-	-	-	-	235,479

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred 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.

30. CAPITAL COMMITMENTS

	Consolidated 2011 KShs '000	Consolidated 2010 KShs '000	Company 2011 KShs '000	Company 2010 KShs '000
Authorised and contracted for	127,319	109,600	-	-

31. CONTINGENCIES

One of Trans-Century Limited subsidiary, 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 Trans-Century Limited, its parent from Kenya Commercial Bank Limited, Commercial Bank of Africa Limited, Co-operative Bank of Kenya Limited and NIC Bank Limited. The maximum exposure is KShs 4.7 billion (2010 - KShs 4.7 billion) plus interest, charges and fees thereon.

Principal Shareholders and Distribution of Shareholding

Principal Shareholders of the Company and their respective Shareholding

As at 31 December 2011

Name of Shareholder	No. of shares held	%
ESTATE OF THE LATE JAMES MUNGAI GACHUI	22,353,190	8.16
MICHAEL GITAU WAWERU	21,245,080	7.76
PETER TIRAS KANYAGO	19,159,290	6.99
JIMNAH MWANGI MBARU	16,659,490	6.08
GITAU ZEPHANIAH MBUGUA	16,610,534	6.06
EDWARD NJOROGE	15,428,626	5.63
EPHRAIM KARIITHI NJOGU	12,424,256	4.54
STEPHEN NJOROGE WARUHIU	11,362,971	4.15
JOSEPH MBUI MAGARI	11,029,230	4.03
ROBIN MUNYUA KIMOTHO	10,851,510	3.96
SUB-TOTAL	157,124,177	57.35
OTHERS (626)	116,826,107	42.65
TOTAL ISSUED SHARES	**273,950,284**	**100.00**

Distribution of Shareholding

As at 31 December 2011

Shares Range	No. of Shareholders	No. of shares held	%
1 - 500	225	40,550	0.0%
501 - 5,000	218	469,844	0.2%
5,001 - 10,000	50	417,000	0.2%
10,001 - 100,000	72	2,860,592	1.0%
100,001 - 1,000,000	38	11,662,837	4.3%
Above 1,000,000	33	258,499,461	94.4%
Total	**636**	**273,950,284**	**100%**

Notes

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Proxy Form

TRANS-CENTURY LIMITED

TO: EMU REGISTRARS
Secretaries,
P.O. Box 61120 - 00200
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 24th May, 2012

Of the Company to be held on ....

And at any adjournment thereof.

Signed/Sealed this ....Day of ...., 2012

....

....

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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