

Overview of FY2016 Performance

TransCentury Limited ("TCL" or "the Group") is pleased to announce its financial results for the year ended 31 December 2016. The Group recorded a 31% drop in revenue, however, it substantially reduced its loss after tax by 64% to KShs 864 million from a loss of KShs 2,423 million in 2015. The results were significantly affected by a temporary limitation in accessing credit lines from our financiers for the greater part of 2016 due to the perceived uncertainty in the resolution of the Eurobond which matured in March 2016. The Eurobond issue was however resolved during the year.

The Engineering Division had a 47% drop in revenues year on year. The Division however made remarkable progress in the latter part of the year in turning the tide with closure of an impressive contracted order book that currently stands in excess of KShs 12 billion and whose execution is in progress.

Similarly, in the Power Division, conversion of order book was challenged, but despite this, the Division closed the year with orders from regional utilities in excess of KShs 4 billion, which excludes further uncontracted business from private sector. This unprecedented increase in order book from regional utilities resulted from our increased production capacity to support governments' heightened electrification efforts, enforcement of local content laws and the Group's consistent engagement with stakeholders. The strategic decision to increase capacity has therefore positioned the Division favourably and will be a key driver for future performance.

While the operating environment in 2016 was quite challenging, the Group responded by:

- Aggressively driving our commercial activity where we exited the year with the largest orderbook in the history of the Group;
- Strengthening our balance sheet where we reduced our debt exposure by KShs 6 billion and increased equity by KShs 2 billion;
- Enhancing our human resources to support operations, brand management and strategic human capital management; and
- Strengthening oversight and corporate governance at the Board, Group and Division levels to best-in-class.

Post Balance Sheet Events: Completion of Equity Transaction

On 14 March 2016, the Group reached an agreement with Kuramo Capital Management, an African focused investment manager, to inject KShs 2 billion of fresh equity into the business. On 3 April 2017, the Group completed the transaction resulting in Kuramo Africa Opportunity Kenyan Vehicle Ltd. acquiring a 24.99% shareholding in TCL by allotment of 93,776,173 new ordinary shares of the Company and preference shares in TC Mauritius. This also led to appointment of three (3) new Non-Executive Directors; Shaka Kariuki, Wale F. Adeosun and Kamal Pallan.

Outlook

The solid foundation laid over the years with the improved capital structure and a strong order book positions the Group firmly to achieve attractive shareholder returns. The Engineering Division has a strong pipeline of projects and has made progress in diversifying the revenue streams, with entry into the road construction sector among others. Investment in regional infrastructure is poised to increase and the Group is well positioned as the partner of choice.

The Power Division continues to be similarly well positioned to meet increased demand from public and private customers driven by expansion of regional economies, which are projected to grow by at least 5% in 2017. The division will focus on utilizing the increased production capacity and improved efficiencies in serving the market.

In addition to significant debt reduction and restructuring of the balance sheet in 2016, the Group continues to implement measures to improve its capital structure to support business funding requirements and maximise shareholder value.

By Order of the Board
Virginia Ndunge, Company Secretary
8th June 2017

Report of the Independent Auditors to the members of TransCentury Limited

Opinion

The summary Group financial statements which comprise the summary consolidated statement of financial position as at 31 December 2016, the summary consolidated statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended are derived from the audited Group financial statements of TransCentury Limited for the year ended 31 December 2016. In our opinion, the accompanying summary Group financial statements are consistent in all material respects, with the audited Group financial statements, in accordance with the Kenyan Companies Act, 2015.

Summary financial statements

The summary Group financial statements do not contain all the disclosures required by the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. Therefore, reading the summary Group financial statements and the auditors' report thereon, is not a substitute for reading the audited Group financial statements and the auditors' report thereon. The summary Group financial statements and the audited Group financial statements do not reflect the effects of the events that occurred subsequent to the date of our report on the audited Group financial statements.

The audited Group financial statements and our report thereon

We expressed an unmodified audit opinion on the audited Group financial statements in our report dated 8 June 2017. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements of the current period.

Directors' responsibility for the summary Group financial statements

Directors are responsible for the preparation of the summary Group financial statements in accordance with the Kenyan Companies Act, 2015.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary Group financial statements are consistent, in all material respects, with the audited Group financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

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

KPMG Kenya,
Certified Public Accountants
P. O. Box 40612 - 00100 Nairobi GPO
Date: 8 June 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital KShs '000	Share premium KShs '000	Revaluation reserves KShs '000	Translation reserve KShs '000	Available for sale reserve KShs '000	Revenue reserves KShs '000	Total KShs '000	Non-controlling interest KShs '000	Total equity KShs '000
2016:									
Balance at 1 January 2016	140,142	565,101	1,538,394	(77,814)	314,067	(1,015,597)	1,464,293	2,081,477	3,545,770
Total comprehensive income for the year net of tax	-	-	-	-	-	(440,135)	(440,135)	(423,755)	(863,890)
Loss for the year	-	-	-	-	-	(440,135)	(440,135)	(423,755)	(863,890)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Revaluation of property, plant and equipment net of deferred tax	-	-	229,381	-	-	-	229,381	98,307	327,688
Deferred tax on revaluation	-	-	(68,928)	-	-	-	(68,928)	(29,541)	(98,469)
Exchange differences	-	-	-	(35,769)	-	-	(35,769)	(16,236)	(52,005)
Net change in fairvalue of available-for-sale financial assets	-	-	-	-	(171,764)	-	(171,764)	-	(171,764)
Transfer from translation reserve	-	-	-	36,242	-	(36,242)	-	-	-
Total other comprehensive income	-	-	160,453	473	(171,764)	(36,242)	(47,080)	52,530	5,450
Total comprehensive income	-	-	160,453	473	(171,764)	(476,377)	(487,215)	(371,225)	(858,440)
Transactions with owners of the company									
Contributions and distributions									
Issue of new shares/Bond Conversion	571	56,076	-	-	-	-	56,647	-	56,647
Transfer from revaluation reserve	-	-	-	-	-	-	-	-	-
Acquisition of NCI without change in control (Note 14)	-	-	-	-	-	(7,229)	(7,229)	(237,968)	(245,197)
Total transactions with owners of the company	571	56,076	-	-	-	(7,229)	49,418	(237,968)	(188,550)
Balance at 31 December 2016	140,713	621,177	1,698,847	(77,341)	142,303	(1,499,203)	1,026,496	1,472,284	2,498,780
2015:									
Balance at 1 January 2015	140,142	565,101	994,385	249,935	330,813	1,278,346	3,558,722	2,536,003	6,094,725
Total comprehensive income for the year net of tax	-	-	-	-	-	(1,988,223)	(1,988,223)	(434,351)	(2,422,574)
Loss for the year	-	-	-	-	-	(1,988,223)	(1,988,223)	(434,351)	(2,422,574)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Revaluation of property, plant and equipment net of deferred tax	-	-	789,213	-	-	-	789,213	745,397	1,534,610
Deferred tax on revaluation	-	-	(236,764)	-	-	-	(236,764)	(223,620)	(460,384)
Exchange differences	-	-	-	(435,251)	-	-	(435,251)	3,505	(431,746)
Net change in fairvalue of available-for-sale financial assets	-	-	-	-	(16,746)	-	(16,746)	-	(16,746)
Transfer from translation reserve	-	-	-	93,749	-	(93,749)	-	-	-
Transfer from revaluation reserve	-	-	-	7,680	-	760	-	-	-
Total other comprehensive income	-	-	544,009	(333,822)	(16,746)	(92,989)	100,452	525,282	625,734
Total comprehensive income	-	-	544,009	(333,822)	(16,746)	(2,081,212)	(1,887,771)	90,931	(1,796,840)
Transactions with owners of the company									
Contributions and distributions									
Acquisition of NCI without change in control	-	-	-	6,073	-	(212,731)	(206,658)	(505,429)	(712,087)
Dividend paid	-	-	-	-	-	-	-	(40,028)	(40,028)
Total transactions with owners of the company	-	-	-	6,073	-	(212,731)	(206,658)	(545,457)	(752,115)
Balance at 31 December 2015	140,142	565,101	1,538,394	(77,814)	314,067	(1,015,597)	1,464,293	2,081,477	3,545,770

The financial statements were approved by the Board of Directors on 8th June 2017 and were signed on its behalf by:

Mr. Shaka Kariuki - Chairman
Mr. Nganga Njiru - Chief Executive Officer & Director

The above results are extracted from the consolidated accounts of TransCentury Limited for the year ended 31 December 2016 as audited by KPMG Kenya Certified Public Accountants and on which an unqualified opinion has been given.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 KShs'000	2015 KShs'000
Revenue	8,177,350	11,790,227
Cost of sales	(7,109,323)	(9,259,631)
Gross profit	1,068,027	2,530,596
Net other income	2,064,969	94,903
Operating expenses	(2,591,643)	(2,499,253)
Profit before depreciation and finance costs	541,353	126,246
Impairment losses	(724,202)	(371,576)
Depreciation and amortisation	(719,184)	(802,019)
Results from operating activities	(902,033)	(1,047,349)
Forex Losses	(94,012)	(1,117,495)
Finance costs	(619,056)	(791,229)
Net finance costs	(713,068)	(1,908,724)
Loss before income tax	(1,615,101)	(2,956,073)
Income tax credit	751,211	533,499
Loss for the year	(863,890)	(2,422,574)

Other comprehensive income

Revaluation of property, plant and equipment	327,688	705,240
Revaluation of prepaid operating lease rentals	-	829,370
Deferred tax on revaluations	(98,469)	(460,384)
Net change in fair value of available-for-sale financial assets	(171,764)	(16,746)
Exchange differences on translation of foreign subsidiaries	(52,005)	(431,746)
Other comprehensive income/(loss) net of income tax	5,450	(625,734)
Total comprehensive loss for the year	(858,440)	(1,796,840)

Loss after tax is attributable to:

Equity holders of the company	(440,135)	(1,988,223)
Non-controlling interest	(423,755)	(434,351)
Loss for the year	(863,890)	(2,422,574)

Total comprehensive income for the year attributable to:

Equity holders of the company	(487,215)	(1,887,771)
Non-controlling interest	(371,225)	90,931
Total comprehensive loss for the year	(858,440)	(1,796,840)

Basic earnings per share - KShs	(1.56)	(7.09)
Diluted earnings per share - KShs	(1.56)	(7.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	2016 KShs'000	2015 KShs'000
ASSETS		
Non current assets		
Property, plant and equipment	7,557,934	7,836,618
Investment property	115,000	362,252
Prepaid operating lease rentals	1,668,419	1,409,032
Intangible assets	2,853,305	2,851,345
Quoted investments	165	239
Unquoted investments	364,285	536,203
Deferred tax asset	630,215	108,738
	13,189,323	13,104,427
Current assets		
Inventory	1,265,223	1,899,763
Trade and other receivables	3,734,610	6,391,777
Tax receivable	352,741	186,651
Asset held for Sale	245,626	-
Cash and cash equivalents	124,029	235,363
	5,722,229	8,713,554
TOTAL ASSETS	18,911,552	21,817,981
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	140,713	140,142
Share premium	621,177	565,101
Revenue reserves	(1,499,203)	(1,015,597)
Translation reserve	(77,341)	(77,814)
Available-for-sale reserve	142,303	314,067
Revaluation reserve	1,698,847	1,538,394
Total equity attributable to equity holders of the company	1,026,496	1,464,293
Non-controlling interest	1,472,284	2,081,477
Convertible loan	1,331,086	-
Total equity	3,829,866	3,545,770
LIABILITIES		
Non current liabilities		
Deferred tax liability	703,319	879,473
Provision for staff gratuity	41,871	45,707
Convertible loan	718,630	-
Bond - non-current portion	1,232,332	-
Long term loan - non-current portion	1,023,449	3,511,955
	3,719,601	4,437,135
Current liabilities		
Bank overdraft	320,144	638,074
Long term loan - current portion	5,292,164	2,827,692
Trade and other payables	4,900,924	4,273,688
Bond - current portion	821,592	6,083,468
Tax payable	27,017	11,910
Unclaimed dividends	244	244
	11,362,085	13,835,076
Total liabilities	15,081,686	18,272,211
TOTAL EQUITY AND LIABILITIES	18,911,552	21,817,981

CONSOLIDATED STATEMENT OF CASHFLOWS AS AT 31 DECEMBER 2016

	2016 KShs'000	2015 KShs'000
Cash generated/(used in) from operations	995,682	(679,278)
Income tax paid	(153,872)	(87,838)
Dividends paid to shareholders of the company	-	-
Dividend paid to non-controlling interest	-	(40,028)
Net cash flows used in operating activities	841,810	(807,144)
Net cash flows used in investing activities	(666,185)	(1,608,109)
Net cash flows generated from financing activities	30,971	2,467,302
Net decrease in cash and cash equivalents	206,596	52,049
Cash and cash equivalents at the beginning of the year	(402,711)	(454,760)
Cash and cash equivalents at the end of the year	(196,115)	(402,711)